

**STAR BOND ANNUAL REPORT – 2009**

TO: The Honorable Mark Parkinson  
Stan Ahlerich, President, Kansas Inc.  
Stephen Morris, President of the Senate  
Derek Schmidt, Senate Majority Leader  
Anthony Hensley, Senate Minority Leader  
Karin Brownlee, Chairperson, Commerce Committee  
Julia Lynn, Vice 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: William R. Thornton, Acting Secretary of Commerce

DATE: January 28, 2010

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 (pending) 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 the available audit reports and they are included (Attachment D).

Commerce would also like to provide status updates, highlights from the annual reports, and other STAR bond activities. For example:

- Kansas Speedway/Village West district is the number one tourist attraction in Kansas with over ten million visitors annually; has created over 3,500 new jobs generating over \$55 million in annual payroll; and contains over \$900 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. The Kansas Speedway completed its tenth successful season of racing on October 4th with the Sprint Series Price Chopper 400. Virtually all bond proceeds have been expended. Over \$240 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 almost \$24 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 spent on the project. The city reported around \$230,000 in local sales tax revenue and state sales tax of \$557,000 through July 31, 2009. The city further reported that sales tax revenues will likely be insufficient to make the bond payments in 2010. 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 attraction is unique in the Western Hemisphere. Attendance has met initial projections. 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 is \$2,476,086.95 and bond payments were \$2,392,561.69. Based on current projections, the bonds will be retired in 2014. The city recently allocated five percent of a one-quarter cent sales tax to help fund the project.

We would also like to provide updates on the following projects which have been approved by the Secretary of Commerce.

- Flint Hills Discovery Center/Manhattan – Bonds in the amount of \$50 million were recently issued for this over \$108 million project, which was approved in December 2006. The project includes a 30,000 square foot Discovery Center/Museum; hotel and conference center, restaurants; entertainment venues; 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. Progress on the project is escalating and architectural and engineering studies for the Museum are nearing completion.
- 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 water park opened in July 2009. A 221,000 square foot Scheels all-sport store is slated to anchor the Riverwalk retail area. The total project cost is approximately \$700 million and up to \$225 million of STAR bonds have been approved. Commerce anticipates STAR bonds will be issued in the next few months. Over \$178 million in private funds have been expended on the project to date.
- 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. The current retail environment and capital markets have slowed this project for the time being.
- 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. Commerce understands that STAR bonds may be issued in the near future dependent on capital market conditions.

- Overland Park/Prairiefire – On September 29, 2009, Commerce approved the STAR Bond Project Application for a major 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. STAR bonds up to the amount of \$66,050,637 have been authorized. Estimates are that the project will create over 1,887 full-time equivalent jobs and up to 2,624 indirect and induced jobs. After completion, the project is forecast to bring 1.9 million new visitors to Overland Park and generate \$154 million in annual sales.
- Wizards Soccer/Cerner Project – Commerce, in conjunction with the Secretary of Revenue, recently approved up to \$147 million in STAR bonds for a major multi-sport athletic facility and 600,000 square foot office complex in Wyandotte County. The total project cost is estimated at \$414 million. The facility will be the home of the Kansas City Wizards professional soccer franchise. The stadium will create up to 2,430 net new full and part-time jobs and generate approximately \$60 million in net new tax revenue over 30 years. The Cerner company has also committed to create up to 4,500 jobs with an average annual payroll of \$65,000 in the office complex. Total annual economic impact of this project is estimated by the developer to exceed \$500 million. Commerce anticipates an initial STAR bond issue of approximately \$25 million in the next few weeks.

- Other STAR bond activities.
  - Commerce has also had discussions with local officials regarding potential STAR bond projects in Wichita.
  - The agency is actively involved in amending the existing STAR bond regulations to better administer and implement the Act.

We appreciate the opportunity to discuss these exciting projects and would be happy to respond to any questions or provide additional information.