

STAR BOND ANNUAL REPORT – 2010

TO: The Honorable Sam Brownback
Stan Ahlerich, President, Kansas Inc.
Stephen Morris, President of the Senate
Jay Emler, Senate Majority Leader
Anthony Hensley, Senate Minority Leader
Susan Wagle, Chairperson, Senate Commerce Committee
Julia Lynn, Vice Chairperson, Senate Commerce Committee
Michael O’Neal, Speaker of the House
Arlen Siegfried, House Majority Leader
Paul Davis, House Minority Leader
Anthony Brown, Chairperson, House Commerce & Economic Development Committee

FROM: Pat George, Acting Secretary of Commerce

DATE: January 31, 2011

In accordance with K.S.A. 12-17,169(c), here is the annual report for projects funded with special obligation bond or STAR bonds. K.S.A. 12-17,177(g) and 12-17,169(c) require each city with a project financed with special obligations payable from state sales tax revenue to submit annually a report to the Secretary of Commerce. 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), Hutchinson (pending), Wichita (Attachment D), and Manhattan (Attachment E) 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 F).

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 several new retail/entertainment venues.
- Wizards Soccer/Cerner Project – Commerce, in conjunction with the Secretary of Revenue, recently approved up to \$147 million in STAR bonds for an 18,500 seat major multi-sport athletic facility and 600,000 square foot office complex in Wyandotte County. Construction is underway and shall be complete by June 2011. 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 salary of \$65,000 in the office complex. Total annual economic impact of this project is estimated by the developer to exceed \$500 million.
- The Kansas Speedway completed its eleventh successful season of racing on October 3rd with the Sprint Series Price Chopper 400. NASCAR approved an additional race for 2011. Virtually all bond proceeds have been expended. Over \$287 million in local and state sales taxes have been generated by the Speedway/Village West project.
- Heartland Park Racetrack/Topeka – Commerce approved STAR bonds in the amount of \$10,460,000 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. The city reported around \$413,000 in local sales tax revenue and state sales tax revenue of \$982,000 through December 31, 2010. Topeka

issued these bonds as “full faith and credit” bonds and is responsible for debt service. The city has had to supplement the debt service payment by \$953,367.51.

- 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 \$3,337,729. 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.
- Flint Hills Discovery Center/Manhattan – \$50 million in bonds were issued for this over \$108 million project. Groundbreaking on the Discovery Center was held on July 7, 2010 and should be open to the public in spring 2012. 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. Approximately \$9.4 million in sales tax has been collected from the district.
- 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. The WaterWalk Garden opened on July 15, 2010, and the Waltzing Waters Fountain and Plaza area will be completed in 2011. 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. The State approved a STAR bond financing concept which will allow the more efficient funding for the Project. From July 2008 through the end of 2010, \$5.5 million in sales tax has been generated.

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

- 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. The total project cost is approximately \$700 million and up to \$225 million of STAR bonds have been approved. Over \$178 million in private funds have been expended on the project to date. The park plans to expand in 2011 and add a SkyVenture indoor skydiving experience.
- 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. The current retail environment and capital markets have slowed this project for the time being. Unless extended for good cause, this project must commence construction by June 5, 2011. The developer is considering modifying the Project with more of an office component while retaining the entertainment and tourist attractions.
- 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.

- Other STAR bond activities.
 - Commerce has also had discussions with local officials regarding potential STAR bond projects in several cities.
 - 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.