

STAR BOND ANNUAL REPORT – 2011

TO: The Honorable Sam Brownback
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, Secretary of Commerce

DATE: February 7, 2012

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 an annual report to the Secretary of Commerce. The Kansas Department of Commerce (Commerce) is then required to compile and transmit such report to the Governor and Legislature by February 1 of the following year. The annual reports from Unified Government of Wyandotte County (Attachment A), Topeka (Attachment B), Hutchinson (Attachment C), 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 continues to be the number one tourist attraction in Kansas with over ten million visitors annually; visitorship has increased

by double digits since Village West was transformed to an upscale outlet destination; the District 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.

- The Kansas Speedway completed its eleventh successful season of racing on October 9th with the Sprint Series Price Chopper 400. This was the first year with two Sprint Cup events in the same season. Virtually all bond proceeds have been expended. Over \$300 million in local and state sales taxes have been generated by the Speedway/Village West project.
- Wizards Soccer/Cerner Project – Construction was completed last spring for an 18,500 seat major multi-sport athletic facility known as Livestrong Sporting Park. In addition to Sporting KC games, the site hosted a CONCACAF Gold Cup doubleheader and approximately 30 non-soccer events per month. The total project cost is estimated at \$414 million. The stadium created up to 2,430 net new full and part-time jobs and generates approximately \$60 million in net new tax revenue over 30 years. Cerner recently received approval of Phase 1 plans for its 600,000 square foot office park and has committed to create up to 4,000 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.
- Heartland Park Racetrack/Topeka – Commerce approved \$10.46 million in STAR bonds which were issued on March 30, 2006 and all proceeds have been spent. 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. The city reported around \$439,000.00 in local sales tax revenue and state sales tax revenue of \$1,161,954.00 through December 31, 2011. 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 approximately \$1,209,236.00. Commerce is working actively with the developer to enhance use of the track for all types of events designed to increase revenue.

- 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 unique destination development including a visitor center complex, underground museum with theatre and events center, elevator down to 650 feet underground and related amenities. Attendance has met initial projections and sales tax revenue increased 30 percent from October, 2010 through September, 2011. 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 \$3.6 million. Based on current projections, the bonds will be retired in 2014.
- Flint Hills Discovery Center/Manhattan – \$50 million in bonds were issued for this over \$108 million project. Groundbreaking on the Discovery Center was held last year and it should be open to the public in April, 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 \$13.9 million in sales tax has been collected from the district through December 31, 2011.
- 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 Waltzing Waters Fountain and Plaza area will be completed in 2012. Total project cost is approximately \$155 million and the project was approved for up to \$14.7 million in STAR bonds. The Project is bringing 800,000 to one million new visitors annually to Wichita and has produced over 1,250 full time jobs and annual retail sales of over \$78 million. The State

approved a STAR bond financing concept which will allow for more efficient funding for the Project with STAR funding to be paid off in less than six years. From July, 2008 through the end of 2011, \$6.5 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 potentially up to \$700 million and up to \$225 million of STAR bonds have been approved. No STAR Bonds none have been issued. Over \$178 million in private funds have been expended on the project to date. The park expanded in 2011 and continuing enhancements are anticipated.
- 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 underperforming retail environment and capital markets have slowed this project over the past few years. The developer is considering modifications to the Project while retaining many of the entertainment attractions and aquarium. Commerce has requested a revised feasibility study to determine how the project has evolved and whether those changes would impact the STAR bond authority previously granted.
- Overland Park/Prairiefire – Commerce approved in 2009 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 \$66,050,637.00 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.
 - STAR Bond Act is scheduled to sunset on June 30, 2012 unless extended this session. Commerce strongly supports such an extension.

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