

Approved: March 12, 1997
date

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on March 11, 1997 in Room 123-S of the Capitol.

Members present: Senators Salisbury, Barone, Brownlee, Donovan, Feleciano, Gooch, Jordan, Ranson, Steffes, Steineger and Umbarger.

Committee staff present: Lynne Holt, Legislative Research Department
Jerry Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes
Betty Bomar, Committee Secretary

Conferees appearing before the committee:
Skip Palmer, Chief Executive Officer, Wonderful World of Oz
Norman Garr, Kansas City, Kansas
Debbie S. Larimore, Director, Olathe Convention & Visitors Bureau
Jackie Stewart, Miami County Economic Development Corporation
Bob Marcusse, Kansas City Area Development Corporation

Others attending: See attached list

SB 280 - Ownership of tax increment financed structures by developers

Senator Ben Vidricksen introduced Skip Palmer, Chief Executive Officer, Wonderful World of Oz theme park development in Kansas City, Kansas.

Mr. Palmer testified in support of **SB 280**, which amends the present tax increment financing statute to allow structures to be owned by developers rather than owned by cities and leased back to developers if the project meets certain criteria (capital improvements built in the state costing not less than \$300,000,000 and creation of not less than 1500 permanent and seasonal employment positions). Mr. Palmer stated this legislation is due to the hesitancy of eastern financial institutions financing developments when structures within the development are not owned by the developer. Mr. Palmer testified the amendments contained in **SB 280** also would minimize transaction costs over the period of the bonds.

Norman Garr, City Bond Counsel for the City of Kansas City, Kansas, stated **SB 280** changes the statutory authority under which the City negotiated the Development Agreement with the Oz Entertainment Company. Mr. Garr testified the City of Kansas has not determined, as a matter of policy, whether it supports the issuance of STAR bonds for either privately owned buildings for facilities leased from the City by the developer; however, in order not to be precluded from leasing structures in developments, the City requests **SB 280** be amended on Page 2, line 5, following the word "by" insert the following: "or to be leased to".

Debbie S. Larimore, Director, Olathe Convention & Visitors Bureau, testified in support of **SB 280**. However, Ms. Larimore expressed concern with the use of transient guest tax in the financing of developments or infrastructure of tourism projects. The guest tax is for the purpose of promotion and marketing. Ms. Larimore stated without finances to market a project, the project would not be a successful project. Attachment 1

Ms. Larimore stated there is a need for the state to develop a tourism plan with short and long range goals rather than continuing to react in the piece-meal manner of past years.

SB 325 - Use of tax increment financing to assist in development of a major tourist attraction

Senator Brownlee stated **SB 325** was introduced because of International Speedway Corporation (ISC) has been looking at locations in the Johnson County area to build a new facility. The bill originally was drafted to assist Gardner in attracting ISC, but that city is no longer interested.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m. on March 11, 1997.

Jackie Stewart, Miami County Economic Development Corporation, testified in support of **SB 325**. Ms. Stewart stated small counties or cities do not have the capability to provide infrastructure or roadways for large projects. Ms. Stewart advocated legislation allowing partnerships between cities, counties and the state in financing development projects.

Bob Marcusse, Kansas City Area Development Council, provided information regarding the economic impact of a superspeedway on a community. Mr. Marcusse stated a 75,000 seat major speedway facility will require overnight accommodations for 360,000 people per year, averaging \$285 per person night, with an overall total direct and indirect impact of \$293,440,000. A minor superspeedway event requires overnight accommodations for 48,000 people averaging \$280 per person night with a total economic impact of \$24,220,000. Attachment 2.

The meeting was adjourned at 9:00 a.m.

The next meeting is scheduled for March 12, 1997.

SENATE COMMERCE COMMITTEE GUEST LIST

DATE: March 11-1997

NAME	REPRESENTING
David Lambert	KCL
Jean Barber	TIAM
Koehnhauser	KGC
William Sneed	ISC
Beccy Swanwick	League of KS Municipalities
Kelly Kuetala	City of Overland Park
Mark Barcellina	KDOCAH
JARON PITSENBURGER	KGC
Sharon Patuode	Legislative Post Audit
Jacqui Stewart	Miami County Economic Development Corp
Bob Marcus	Kansas City Area Dev. Council
Whitney Damon	City of EC, KS
Debra S. Lawrence	Olathe CVB
Kevin Peterson	KS Lodging Assn.
Norman E Kaar	Kansas City, Kansas
Vin Kauf	City of Topeka
Paul Burnett	USD 501
Diane Gjerstad	USD 259

**Testimony regarding SB-280 and SB-325
Tuesday, March 11, 1997 Room 123-S
Senate Commerce Committee**

Presented by: Debbie S. Larimore, Director
Olathe Convention & Visitors Bureau
100 East Santa Fe, Suite 102, PO Box 98
Olathe, Kansas 66051-0098
Phone: 913-764-1050
Fax: 913-782-4636
E-mail: olathecvb@olathe.com

The hospitality/travel/tourism industry is fast approaching the largest industry in the United States. This thriving industry brings with it a strong economic impact by the development of new businesses, new jobs, and powerful "new" money or "tourism" money to communities.

Knowing the economic impact of travel and tourism you would no doubt want your state to be one of the leaders in this dynamic industry. Sadly enough, we are ranked dead last. Does this mean that Kansas is missing out on a great opportunity? You bet ya! Can we fix the problem? Yes, I believe we can.

So far we have made great strides at addressing the need to investigate our tourism opportunities, through tourism board, historical rehab funding, and allocations for state parks. We are also seeing support through the ideas of potential state incentives for tourism businesses and even direct funding resources, all of which can lead to a more successful tourism industry in the state of Kansas.

SB-280 and SB-325 are both bills that have the potential to have a great impact on the ability of the state to draw new businesses that are tourism based. And with any economic development incentive you must have your packages, including TIFF prepared in advance so that cities and the state can market and recruit our packaged plans to prospects.

I must warn you that I am also opposed to part of these bills. I have great concerns about the inclusion of the transient guest tax being used as any part of the development or the infrastructure of tourism projects.

Please note that cities already have the right to charter taxes, like the guest tax and use it in other areas like paying off bonds or for economic development. Therefore, excluding the guest tax from these bills would not eliminate any cities ability to change the use of the tax.

*Senate Commerce
Committee
March 11, 1997
Attachment 1-1 thru 1-2*

Please remember that the guest tax is and I quote "*Convention and tourism promotion*" Means: (1) Activities to attract visitors into the community through marketing efforts, including advertising, directed to at least one of the five basic convention and tourism market segments consisting of group tours, pleasure travelers, association meetings and conventions, trade shows and corporate meetings and travel; and (2) supports for those activities and organizations which encourage increased lodging facility occupancy.

History: L. 1975, ch. 490, § 1; L. 1992, ch. 117, § 1; July 1.

Attorney General's Opinions:

Convention and tourism committees: appointment: terms. 93-40

I'll tell you what I'm driving at. My father was in business for himself for many years. He taught me many important things about business. One of the things I remember the most was his story about his gaskets. He said you could spend all your money on making the best gaskets in the world, but if you don't have the money and time to market them, they will just set on the warehouse shelf and collect dust. He was also the man that taught me that without a plan you'll never know where you're going.

I think my father's advice holds true today. Someone had a plan years ago. That plan was to set aside money to make sure that someone was out there selling the value of each community and what it has to offer. In most cases that guest tax money is limited. I would urge you to not reduce precious marketing dollars used to promote tourism, but to consider making a plan based on the existing ideas and premises of successful tourism industries.

I would urge you to not throw money at the tourism industry. I would urge you to develop a plan with short and long range goals that include the TIFF as a part of a larger package for tourism success in Kansas and I would urge you to request the direct input of travel and tourism folks from across the state.

Inclosing thank you for considering SB 280 and 325. They have the potential to be an important part of our "tourism plan".

And I would urge you to not let our state of Kansas set on the shelf collecting dust. We are proud people and we know we have so much to offer with regards to tourism, but we need your help. Thank you.



Economic Impact of a Superspeedway on Its Community

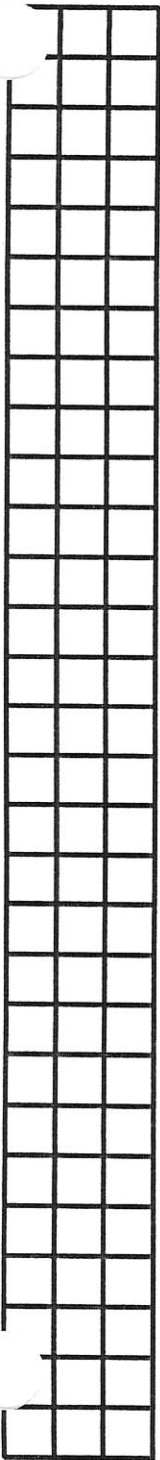
Prepared for Daytona International Speedway
Corporation

Fine Research & Marketing, Inc..
February, 1997

*Senate Commerce
Committee
March 11, 1997
Attachment 2-1 thru 2-20*

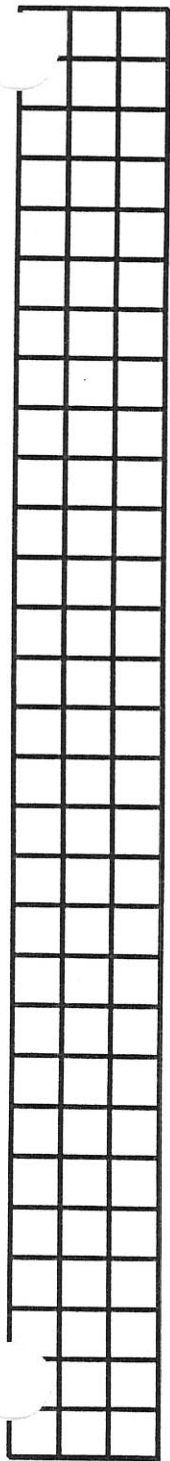
Assumptions

- generic Superspeedway based on Daytona model
- based on Phase One: 75,000 seat capacity
- based on three major events/weekends per year
- except for construction costs, all amounts are **annual** revenues



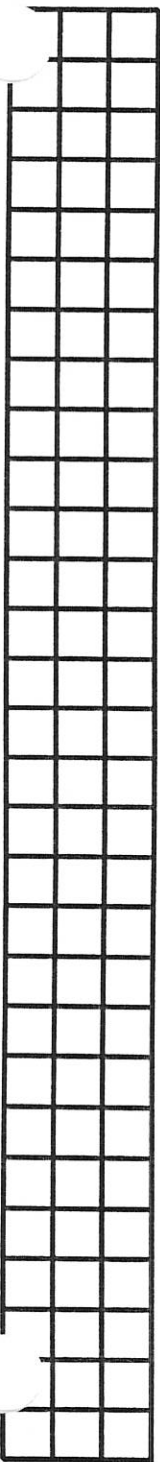
Characteristics & Expenditures of Visitors

- **Major Race Weekends (assume three per year)**
 - **200,000** people will need overnight accommodations
 - this provides **360,000** people nights
 - they will spend an average of **\$285** per person night
 - additional **110,000** will be day trippers or residents of the metropolitan area



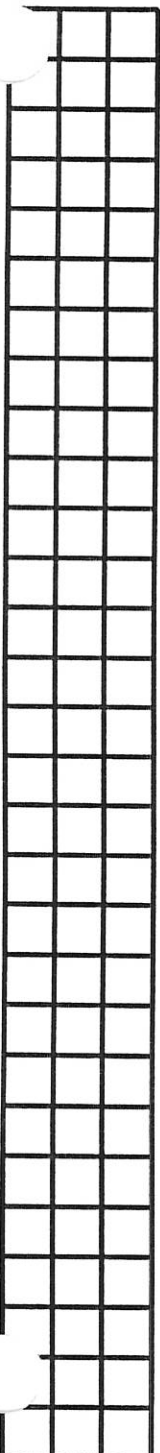
Characteristics & Expenditures of Visitors

- **Major Race Weekends (assume three per year)**
 - those day trippers will spend an average of **\$20** per person (excluding ticket and other inside Superspeedway costs)
 - the total direct dollar economic impact on the community of three major Superspeedway race weekends will be **\$104,800,000**
 - total direct and indirect (x 1.8) is **\$293,440,000**



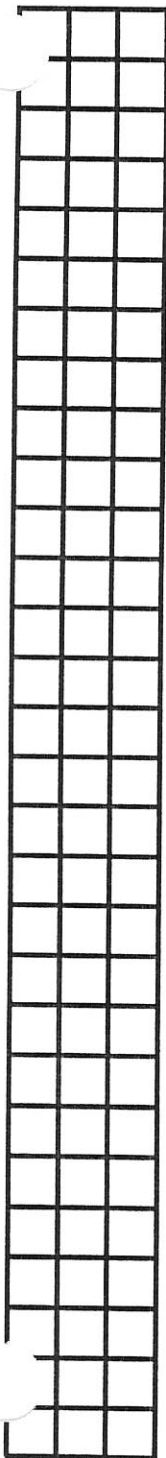
Characteristics & Expenditures of Visitors

- **Minor Superspeedway Events (assume three per year)**
 - **24,000** people will need overnight accommodations
 - providing **48,000** people nights
 - they will spend an average of **\$180** per person night



Characteristics & Expenditures of Visitors

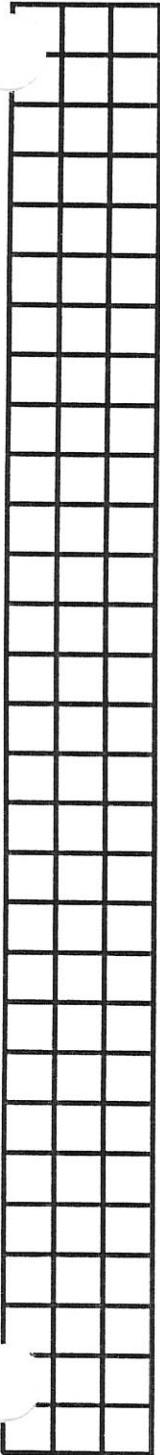
- **Minor Superspeedway Events (assume three per year)**
 - The total direct dollar economic impact on the community of three minor Superspeedway events will be **\$8,650,000**
 - The total direct and indirect economic impact on the community will be **\$24,220,000**



Construction Phase

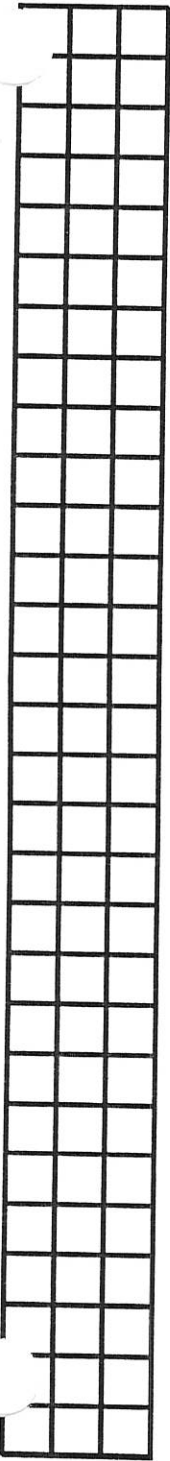
- **Construction Investment**

- phase one construction costs of **\$80 to \$120 million**
- 90% (**\$72 to \$108 million**) is spent in local economy
- phases two build-out will cost additional **\$40 million**
- direct and indirect impact of construction will be **\$392 million**



Construction Phase

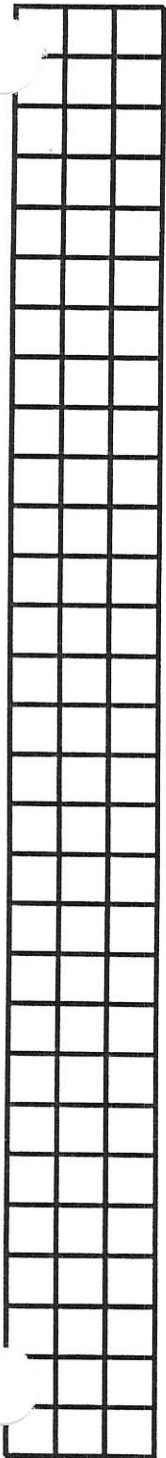
- **Construction Jobs and Payroll**
 - initial construction will (directly and indirectly) generate **2,460 to 3,690 jobs** in all sectors of the economy
 - payroll generated will be **\$63,250,000 to \$94,800,000**
 - build-out construction will add **1,230 jobs** and **\$31,600,000** in payroll



Operations

- **Employment**

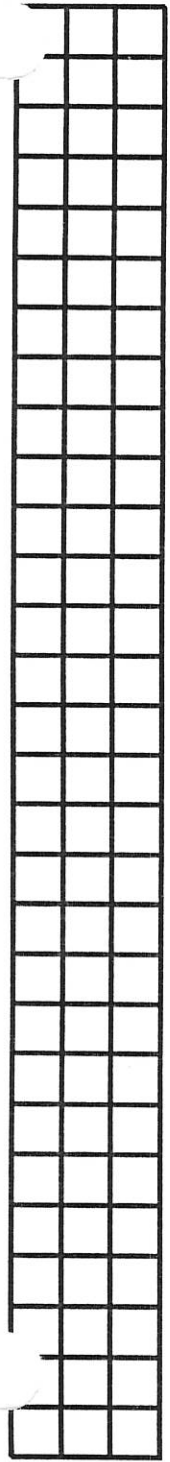
- typical Superspeedway employs equivalent of **150 full time employees (FTE)** plus additional group of “contract labor” of **45 FTE**
- using multiplier of 1.62 total jobs created as result will be **316**
- at build-out the total FTE will be **200** and total jobs overall **397**



Operations

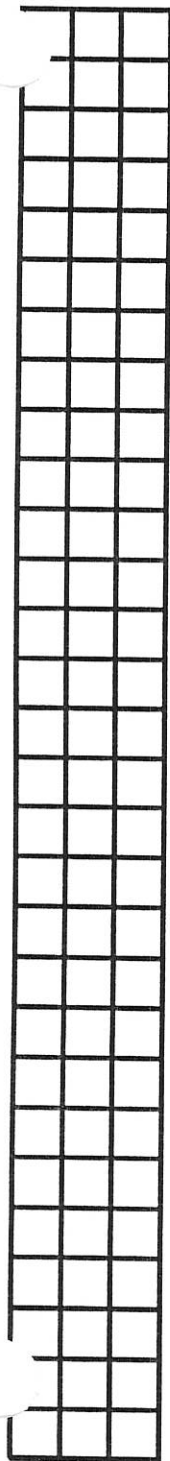
- **Payroll**

- annual payroll at opening will be **\$2,607,967**
- annual payroll at build-out will be **\$5,309,478**
- using 1.77 multiplier, total payroll generated at opening and build-out will be **\$4,616,101** and **\$9,397,776** respectively



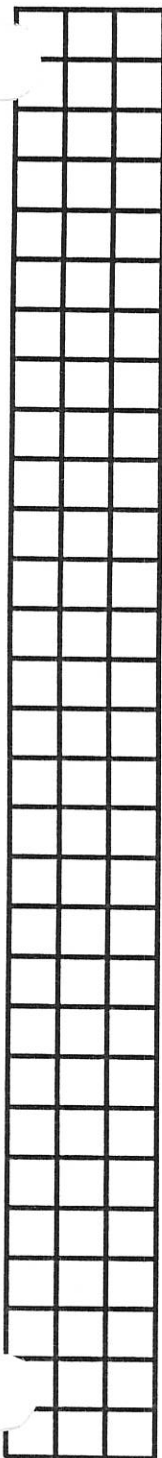
Operations

- **Goods, Supplies & Services**
 - annual average local expenditure of **\$2,851,304**
 - will generate **\$10,264,694** into the local economy
 - includes office, grounds & maintenance supplies; telephone & utilities; legal & accounting fees; advertising & public relations; rental of temporary buildings & equipment; etc..



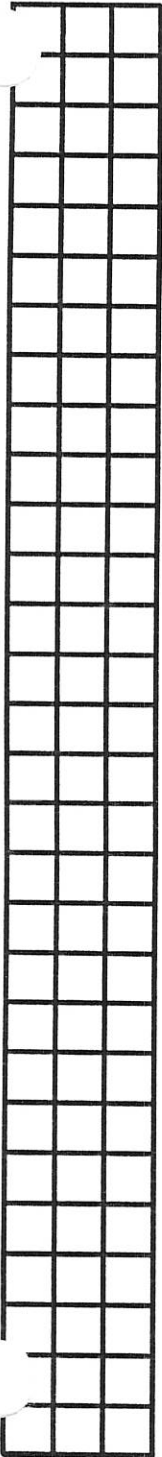
Contributions

- **\$134,700** direct donations to local charitable groups
- **\$74,250** earned by local organizations through “community enablement” programs
- **\$140,000** in savings to local government by making facilities available to local law enforcement groups and others



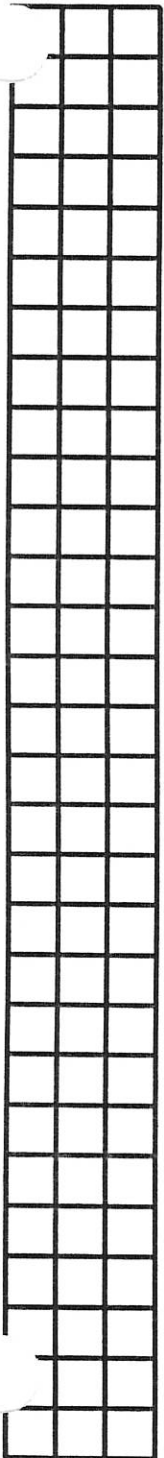
Taxes

- **\$187,275** in local taxes
- **\$2,251,810** in state taxes (includes state sales tax)
- **\$431,860** in federal taxes



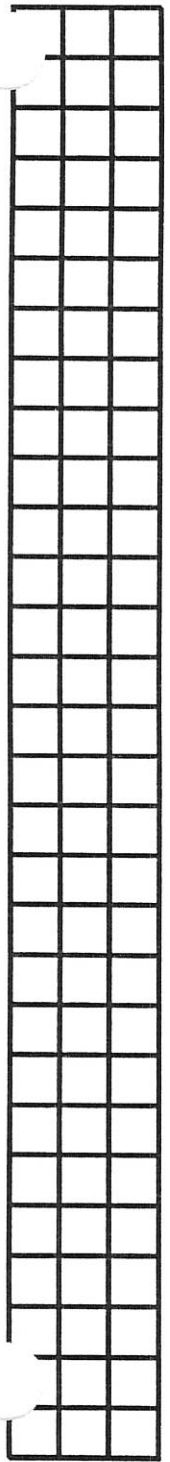
Media Exposure

- **\$4,872,375** value of mentions of Superspeedway city in broadcasts during and about races
- **\$1,375,000** spent by sponsors advertising and supporting race events
- **70,574,415** circulation of newspapers in U.S. and elsewhere carrying stories about racing events



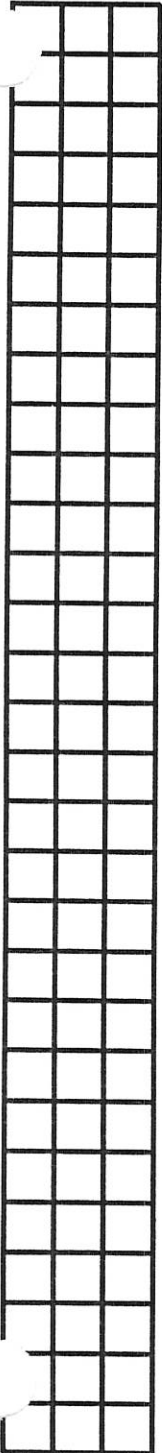
Economic Impact Summary

- **Tourism Impact**
 - **224,000** overnight visitors annually
 - **\$317,660,000** spent annually in the local economy



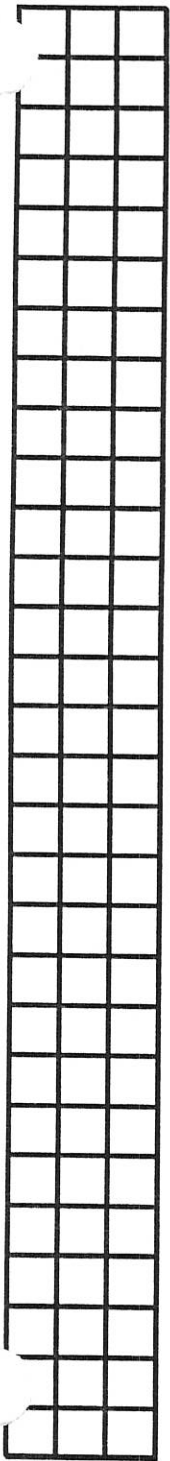
Economic Impact Summary

- **Construction**
 - **\$392,000,000** cost of construction
 - **4,305** jobs
 - **\$110,625,000** payroll



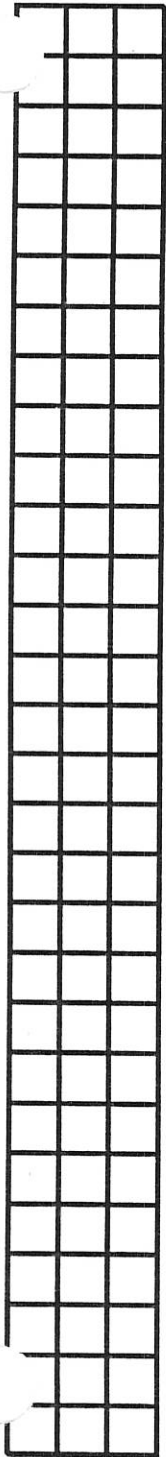
Economic Impact Summary

- **Operations**
 - 397 jobs
 - \$5,309,478 annual payroll
 - \$7,983,000 spent in the local economy
 - \$348,940 annual contributions to the local community



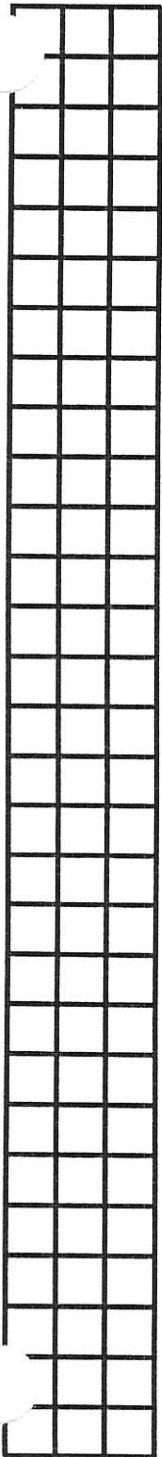
Economic Impact Summary

- **Local, State & Federal Taxes**
– **\$2,870,945** annually



Economic Impact Summary

- **Media Exposure**
 - **\$6,247,375** value of annual media exposure for community
 - **70,574,415 #** of people reading reports of annual events



Economic Impact Summary

- **Tourism**
 - \$317,660,000 annually
- **Construction**
 - \$392,000,000 one time
- **Operations**
 - \$7,983,000 annually
- **Media Exposure**
 - \$6,247,000 annually
- **Taxes**
 - \$2,870,000 annually

