

Approved: March 4, 1999  
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT .

The meeting was called to order by Chairperson Bill Mason at 3:30 p.m. on February 16, 1999 in Room 522-S of the Capitol.

All members were present except: Representative Mary Compton - E

Committee staff present: April Holman, Legislative Research Department  
Lynne Holt, Legislative Research Department  
Renae Jefferies, Office of Revisor of Statutes  
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Bud Burke, Issues Management Group  
Skip Palmer, The OZ Entertainment Co.  
Mike Wojcicki, KTEC  
Dave Robinson, The OZ Entertainment Co.  
Ken Becker, Solomon Smith Barney  
Rick Wright, Gilmore & Bell  
Mayor Steve Prudden, City of DeSoto  
Blake Schreck, Olathe Area Chamber of Commerce

Written Testimony only:

Jim Dehoff, KS AFL CIO  
Bob Marcuse, Kansas City Area Economic Development Council

Others attending: See Attached

Chairman Mason asked that a staff briefing be presented on **HB 2166**.

April Holman, Legislative Research Department, explained the current form of the bill. The bill would extend the maximum maturity period for bonds associated with projects of statewide as well as local importance from 20 to 32 years OR such time as the Secretary of Commerce determines necessary for the economic feasibility of the project.

HB 2166 would also increase the sales tax levied within a redevelopment district containing a project of statewide importance from the current rate of 5.9% (4.9% state sales tax plus an additional 1% established last year) to 6.9% (4.9% state sales tax plus additional 2%).

This bill would also provide for a pledge of **all** tax revenues generated from the project and received by the county in which the project is located to go towards paying principal and interest on the bonds.

Under current law, a pledge of a portion or all of the revenue collected by the state in a redevelopment district housing a project of statewide as well as local importance may be made. However, this provision is restricted such that it may not exceed 20 years after the date of establishment of the redevelopment district. HB 2166 would remove this time restriction. Finally, HB2166 would define various agricultural terms found in the Kansas Development Finance Authority Act.

The Chairman opened the hearing:

**HB 2166: An act concerning redevelopment projects of statewide as well as local importance**

Proponents:

Bud Burke, Issues Management Group, thanked the committee for hearing the bill and spoke of the importance on HB 2166 in creating the opportunity to Kansas to get into the tourism business. He said that the speakers were present to present the history of the project and why it is necessary that they are back requesting additional legislation authority.

Chairman Mason asked about the balloon amendment to the bill. Copies of the amendment were

distributed to the committee (Attachment 1). Mr. Burke gave a brief description of the changes and stated that the Representative from Gilmore & Bell would explain the changes in detail and answer any questions.

Skip Palmer, President of the The Wonderful World of OZ provided a brief overview of their project, organization and management team (Attachment 2). In conclusion he said that their company is poised to launch the most significant entertainment enterprise ever conceived in the mid-west and their industry impact is regional, national and international. They are appearing today because they are seeking the committee's support of a legislative modification that provides the project with economic protection against unforeseen market conditions. Without HB2166, the future of the Wonderful World of OZ could become extremely fragile.

Discussion followed regarding the concern over status and time lines on the project. Mr. Palmer agreed to provide information that would help Legislators understand the timeliness of the 10 year plan from conception to the opening of phase one of the project in the spring of 2002. There was further discussion regarding the importance of the bill to the future of the "Wonderful World of OZ".

Mike Wojcicki, KTEC appeared in support of the Land of Oz Park and what it means to the state of Kansas (Attachment 3). There are many ways that the Oz Park could help strengthen the technology base of the Kansas economy and be the engine - as well as the consumer - of advanced information technologies and a launchpad for technology development and employment in Kansas. From KTEC's perspective, the opportunities of Oz extend well beyond the park itself.

Terry Dunn, J.E. Dunn Construction, stated that the Oz construction program would have an enormous impact for local contractors, suppliers and workers who would construct the major project over an approximate two year period of time (Attachment 4).

Dave Robinson, The Oz Entertainment Company, provided a summary of the environmental condition of the Sunflower Army Ammunition Depot (Attachment 5). After extensive evaluation, he and his team believe that this project will be a model for early transfer and private cleanup in the future. Discussion followed regarding the clean-up procedure if the Oz project does not move forward, land that will be covered by the Star bonds, two standards (industrial and residential) of clean-up, standards of removal and the background/qualifications of Mr. Robinson.

Rick Wright, Gilmore and Bell, explained the proposed changes of House Bill No. 2166. Highlights include: 1) Page 5, Line 32: Delete reference to redevelopment district being located outside the city limits of any city to prevent in ambiguity in the statute as to the operation of the bond financing provisions if any part of the redevelopment district is annexed by a city at any time while bonds are outstanding. 2) Page 7, Lines 1-7 Limit maximum maturity of any bonds issued to finance the Project to 30 years from the date of the first bond issued for the project. 3) Sec. 4 Technical changes to coordinate 74-8924 (which is a general description of sources of payment for the bonds) with Section 74-8929 (which is the specific pledge of the various sales and use taxes). 4) Page 10, Line 26 Clarifies that the additional 2% sales tax is collected only on retail sales within the redevelopment district. 5) Page 15, Line 13 Clarifies that the additional 2% use tax is collected only within the redevelopment district. Copies of these changes were distributed at the end of the meeting (Attachment 6). Discussion followed regarding the responsible party if the project defaults, liability of the state of Kansas and a profile of the industrial Star Bond buyers.

Ken Becker, Director, Salomon Smith Barney, provided the committee with the history of their company (Attachment 7). He explained that after due diligence Salomon Smith Barney concluded that there were five elements that brought them to the conclusion that this project was viable. After reviewing those elements he spoke of their decision to provide to the company a "highly confident letter" which indicates that they are highly confident that, given present market conditions, that the World of OZ theme park is going to be financed, built, and will be a commercially viable enterprise and a large contributor to the economic health of the region. Discussion followed regarding: risk factors, profiles of the investors, morale obligation and the return rates.

Steve Prudden, Mayor of DeSoto, read Resolution No. 544 in support for the Johnson County comprehensive plan for Sunflower Ammunition Plant property and the Wonder World of OZ theme park (no written testimony given). When asked what impact the theme park would have on DeSoto, he replied that it would probably make them the rising star of Western Johnson County.

Blake Schreck, CED, President, Olathe Area Chamber of Commerce, presented the economic benefits of this project in six areas: Economic ripple effect, Marketing Potential, K-10, K-7 and Western Johnson County, Tourism, Technology and Image (Attachment 8). Discussion followed regarding: current status of assistance from the Dept. of Commerce.

Chairman Mason brought attention to the written testimony from Jim DeHoff, Executive Secretary Treasurer, Kansas AFL CIO (Attachment 9).

Mr. Palmer reviewed the contents of the packets given to committee members (Attachment 10). Included were the MARC Research report, "Economic Impact of the Wonderful World of Oz Theme Park and Emerald Resort Hotel, Key Facts on the Oz Entertainment Company and copies of newspaper articles.

Discussion followed about the Star Bonds and their limitations and restrictions. Mr. Palmer agreed to provide copies of the specific list outlined in the original legislation that states exactly what the Star Bonds may be used for. Discussion continued on sales tax collection, restriction of businesses within the 9,000 acres, rate of sales tax and the Johnson County Board of Commissioners' resolution.

Representative Gatewood ask for an analogy of the balloon amendments for use at the next meeting. See (Attachment 6).

The Chairman asked if there were any opponents that would like to speak. Hearing and seeing none, he closed the hearing on HB 2166. He advised the committee that they would discuss the bill and take possible action at Thursday's meeting.

The next meeting is February 18.

The Chairman adjourned the meeting at 5:20 p.m.

# HOUSE ECONOMIC DEVELOPMENT COMMITTEE COMMITTEE GUEST LIST

DATE: February 16, 1999

NAME	REPRESENTING
Mary Brookstone	KTEC
Alma Fenton	Johnson County
Steve Prudden	City of Nebots
Joe Nisk	BPU KCK
Nancy Steiner	CCG
DVD GRANT	KCC
Rick Wright	Gilman & Bell
Robert Kory	Oz Entertainment Co.
Ken Becker	Salomon Smith Barney
David Robinson	DCR & Co.
TERRENCE P. DUNN	T. E. DUNN Const Co.
SKIP PALMER	OEC
RON BENSON	OEC
MIKE WOJCIKI	KTEC
Tim Johnson	ITTC
KENNETH FRAHM	Ks DEU FID AUTHORITY
Ron Green	Governor's Office
Steve Kelly	KPOC & H
Bill Schreck	Other Chamber of Commerce



HOUSE ECONOMIC DEVELOPMENT COMMITTEE  
COMMITTEE GUEST LIST

DATE: \_\_\_\_\_

NAME	REPRESENTING
Ryan Vincent	KIDFA
WENDY HEIMANN-NUNES	OEC
FRED ULBICH	OEC
DICK CARTER	TIAK

## HOUSE BILL No. 2166

By Committee on Taxation

1-28

9 AN ACT concerning redevelopment projects of statewide as well as local  
10 importance; amending K.S.A. 1998 Supp. 12-195, 74-8902, 74-8921,  
11 74-8924, 74-8925, 74-8927, 79-3603 and 79-3703 and repealing the  
12 existing sections; also repealing K.S.A. 1998 Supp. 74-8902a and 79-  
13 3603a.

14  
15 *Be it enacted by the Legislature of the State of Kansas:*

16 Section 1. K.S.A. 1998 Supp. 12-195 is hereby amended to read as  
17 follows: 12-195. (a) Except as otherwise provided in K.S.A. 12-195b, 12-  
18 1774, 12-17,103 and K.S.A. 1998 Supp. 74-8924, and amendments  
19 thereto, or subsection (b), no city or county shall commit any of the funds  
20 or proceeds derived from a retailers' sales tax as a guarantee for the pay-  
21 ment of bonds issued by such city or county *or the Kansas development*  
22 *finance authority.*

23 (b) Any city or county which is the recipient of funds derived from a  
24 local option sales tax pursuant to K.S.A. 12-187 *et seq.*, and amendments  
25 thereto, is hereby authorized to issue revenue bonds to provide for the  
26 payment of all or any portion of the cost of public facilities or improve-  
27 ments of such city or county for which such city or county is authorized  
28 pursuant to the constitution or laws of this state to issue general obligation  
29 bonds and to pledge revenues received from countywide or city retailers'  
30 sales taxes for the payment thereof. No such bonds shall be issued for the  
31 payment of all or any portion of the cost of any facilities or improvements  
32 to be used for commercial or retail purposes, except that such prohibition  
33 shall not apply to revenue bonds issued for the payment of the cost of  
34 constructing or improving a convention or exposition hall or center or  
35 public auditorium. In the event the governing body of a city or county  
36 proposes to issue such bonds, and the question of pledging the revenues  
37 received from the countywide or city retailers' sales tax has not previously  
38 been submitted to and approved by the voters of the city or county, such  
39 proposition shall be published once each week for two consecutive weeks  
40 in the official city or county newspaper, as the case requires. If, within  
41 30 days after the last publication of the proposition, a petition is filed with  
42 the county election officer signed by not less than 4% of the electors of  
43 the city or county, as the case requires, who voted for the office of sec-

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1 well as local importance pursuant to this section and subsection (e) of  
2 K.S.A. 74-8905, and amendments thereto, shall not exceed ~~20~~ years from  
3 the date of establishment of the redevelopment district ~~except that the~~  
4 ~~maximum maturity of bonds issued may be extended to a maximum ma-~~  
5 ~~turity period not to exceed a period greater than 32 years or such period~~  
6 ~~as the secretary of commerce may determine is necessary for the economic~~  
7 ~~feasibility of financing a project of statewide as well as local importance]~~

8 For the purposes of this act, "increment" means that amount of ad va-  
9 lorem taxes collected from real property located within the redevelop-  
10 ment district that is in excess of the amount which is produced from such  
11 property and attributable to the assessed valuation of such property prior  
12 to the date the redevelopment district was established, as determined  
13 under the provisions of K.S.A. 1998 Supp. 74-8925, and amendments  
14 thereto.

15 (f) Before any redevelopment district is established pursuant to  
16 K.S.A. 1998 Supp. 74-8921, and amendments thereto, a comprehensive  
17 feasibility study, which shows the benefits derived from such project will  
18 exceed the costs and that the income therefrom will be sufficient to pay  
19 for the project, shall be prepared by the developer and submitted to the  
20 secretary of commerce and housing and the authority and an agreement  
21 between the authority and the developer with respect to implementing  
22 the redevelopment plan shall have been executed. Such feasibility study  
23 shall be an open public record.

24 Sec. 4. K.S.A. 1998 Supp. 74-8924 is hereby amended to read as  
25 follows: 74-8924. (a) Any bonds issued by the authority under subsection  
26 (e) of K.S.A. 74-8905, and amendments thereto, to finance the undertak-  
27 ing of any project of statewide as well as local importance in accordance  
28 with the provisions of this act, shall be made payable, both as to principal  
29 and interest:

30 (1) From property tax increments allocated to, and paid into a special  
31 fund of the authority under the provisions of K.S.A. 1998 Supp. 74-8925,  
32 and amendments thereto;

33 (2) from revenues of the authority or the developer derived from or  
34 held in connection with the undertaking and carrying out of any rede-  
35 velopment plan under this act;

36 (3) from any private sources, contributions or other financial assis-  
37 tance from the state or federal government;

38 (4) from ~~[a pledge of a portion or all of]~~ the revenue collected by the  
39 state under K.S.A. 1998 Supp. 74-8927, and amendments thereto; ~~for a~~  
40 ~~period not to exceed 20 years after the date of establishment of the re-~~  
41 ~~development district;~~

42 (5) from a pledge of a portion or all increased revenue received by  
43 any city from franchise fees collected from utilities and other businesses

30

the scheduled maturity of the first series  
of bonds issued to finance the  
redevelopment project

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1 using public right-of-way within the redevelopment district;  
2 (6) from a pledge of a portion or all of the revenue received by any  
3 city from sales taxes collected pursuant to K.S.A. 12-187, and amend-  
4 ments thereto; or

within the redevelopment district

5 ~~(7) from a pledge of all of the revenues received by the county in~~  
6 ~~which the project is located from the tax collected pursuant to K.S.A. 1998~~  
7 ~~Supp. 74-8929, or~~

8 ~~(7) (8) by any combination of these methods.~~

or

9 (b) The authority may pledge such revenue to the repayment of such  
10 bonds prior to, simultaneously with, or subsequent to the issuance of such  
11 bonds.

12 Sec. 5. K.S.A. 1998 Supp. 74-8925 is hereby amended to read as  
13 follows: 74-8925. (a) For the purposes of this act, the term "taxing sub-  
14 division" shall include the county, the city, the unified school district and  
15 any other taxing subdivision levying real property taxes, the territory or  
16 jurisdiction of which includes any currently existing or subsequently cre-  
17 ated redevelopment district. The term "real property taxes" includes all  
18 taxes levied on an ad valorem basis upon land and improvements thereon.

19 (b) All tangible taxable property located within a redevelopment dis-  
20 trict shall be assessed and taxed for ad valorem tax purposes pursuant to  
21 law in the same manner that such property would be assessed and taxed  
22 if located outside such district, and all ad valorem taxes levied on such  
23 property shall be paid to and collected by the county treasurer in the  
24 same manner as other taxes are paid and collected. Except as otherwise  
25 provided in this section, the county treasurer shall distribute such taxes  
26 as may be collected in the same manner as if such property were located  
27 outside a redevelopment district. Each redevelopment district established  
28 under the provisions of this act shall constitute a separate taxing unit for  
29 the purpose of the computation and levy of taxes.

30 (c) Beginning with the first payment of taxes which are levied follow-  
31 ing the date of approval of any redevelopment district established pur-  
32 suant to K.S.A. 1998 Supp. 74-8921, and amendments thereto, real prop-  
33 erty taxes received by the county treasurer resulting from taxes which are  
34 levied subject to the provisions of this act by and for the benefit of a  
35 taxing subdivision, as herein defined, on property located within such  
36 redevelopment district constituting a separate taxing unit under the pro-  
37 visions of this section, shall be divided as follows:

38 (1) From the taxes levied each year subject to the provisions of this  
39 act by or for each of the taxing subdivisions upon property located within  
40 a redevelopment district constituting a separate taxing unit under the  
41 provisions of this act, the county treasurer first shall allocate and pay to  
42 each such taxing subdivision all of the real property taxes collected which  
43 are produced from that portion of the current assessed valuation of such

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1 opment district have been paid in full; or ~~(2) twenty years after the es-~~  
 2 ~~tablishment of the redevelopment district~~ *(the scheduled maturity date of*  
 3 *the first series of bonds issued to finance the redevelopment project,* all  
 4 revenues collected or received from the state transient guest tax estab-  
 5 lished pursuant to K.S.A. 1998 Supp. 79-5301 through 79-5304, and  
 6 amendments thereto, any revenue from a county or countywide retailers'  
 7 sales tax levied or collected under K.S.A. 1998 Supp. 74-8929 and amend-  
 8 ments thereto, the state retailers' sales tax pursuant to K.S.A. 79-3603,  
 9 and amendments thereto, and the state compensating use tax, pursuant  
 10 to K.S.A. 79-3703, and amendments thereto, which have been certified  
 11 by the director of taxation to have been derived from taxpayers located  
 12 in a redevelopment district shall be remitted to the state treasurer.

13 (b) The state treasurer shall credit all such revenues to the redevel-  
 14 opment bond fund which is hereby established in the state treasury. The  
 15 state treasurer shall make such biannual distributions on dates mutually  
 16 agreed upon by the treasurer and the authority. The authority shall use  
 17 all such moneys received pursuant to this section to pay the costs of a  
 18 redevelopment project of statewide as well as local importance as de-  
 19 scribed in K.S.A. 74-8902, and amendments thereto.

20 Sec. 7. K.S.A. 1998 Supp. 79-3603 is hereby amended to read as  
 21 follows: 79-3603. For the privilege of engaging in the business of selling  
 22 tangible personal property at retail in this state or rendering or furnishing  
 23 any of the services taxable under this act, there is hereby levied and there  
 24 shall be collected and paid a tax at the rate of 4.9% *and, within a rede-*  
 25 *velopment district established pursuant to K.S.A. 74-8921, and amend-*  
 26 *ments thereto* ~~there is hereby levied and there shall be collected and paid~~  
 27 ~~an additional tax at the rate of 2% until the earlier of the date the bonds~~  
 28 ~~issued to finance or refinance the redevelopment project have been paid~~  
 29 ~~in full or the scheduled maturity of the first series of bonds issued to~~  
 30 ~~finance any part of the project upon:~~

31 (a) The gross receipts received from the sale of tangible personal  
 32 property at retail within this state;

33 (b) (1) the gross receipts from intrastate telephone or telegraph serv-  
 34 ices and (2) the gross receipts received from the sale of interstate tele-  
 35 phone or telegraph services, which (A) originate within this state and  
 36 terminate outside the state and are billed to a customer's telephone num-  
 37 ber or account in this state; or (B) originate outside this state and ter-  
 38 minate within this state and are billed to a customer's telephone number  
 39 or account in this state except that the sale of interstate telephone or  
 40 telegraph service does not include: (A) Any interstate incoming or out-  
 41 going wide area telephone service or wide area transmission type service  
 42 which entitles the subscriber to make or receive an unlimited number of  
 43 communications to or from persons having telephone service in a speci-

and only within the redevelopment district

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1 authorization code or both, whether manually or electronically dialed. If  
2 the date or recharge of such card or number does not take place at the  
3 vendor's place of business, it shall be conclusively determined to take  
4 place at the customer's shipping address; if there is no item shipped then  
5 it shall be the customer's billing address.

6 Sec. 8. K.S.A. 1998 Supp. 79-3703 is hereby amended to read as  
7 follows: 79-3703. There is hereby levied and there shall be collected from  
8 every person in this state a tax or excise for the privilege of using, storing,  
9 or consuming within this state any article of tangible personal property.  
10 Such tax shall be levied and collected in an amount equal to the consid-  
11 eration paid by the taxpayer multiplied by the rate of 4.9%. Within a  
12 redevelopment district established pursuant to K.S.A. 1998 Supp. 74-  
13 8921, and amendments thereto, there is hereby levied and there shall be  
14 collected and paid an additional tax of 1% 2% until the earlier of: (1) The  
15 date the bonds issued to finance or refinance the redevelopment project  
16 undertaken in the district have been paid in full; or (2) ~~twenty years after~~  
17 ~~the establishment of the redevelopment district~~ *the scheduled maturity*  
18 *of the first series of bonds issued to finance the redevelopment project.* All  
19 property purchased or leased within or without this state and subse-  
20 quently used, stored or consumed in this state shall be subject to the  
21 compensating tax if the same property or transaction would have been  
22 subject to the Kansas retailers' sales tax had the transaction been wholly  
23 within this state.

and only within the redevelopment  
district

24 Sec. 9. K.S.A. 1998 Supp. 12-195, 74-8902, 74-8902a, 74-8921, 74-  
25 8924, 74-8925, 74-8927, 79-3603, 79-3603a and 79-3703 are hereby  
26 repealed.

27 Sec. 10. This act shall take effect and be in force from and after its  
28 publication in the statute book.

**Presentation to the House Economic Development Committee  
February 16<sup>th</sup>, 1999**

Good afternoon Mr. Chairman and members of the House Economic Development Committee, my name is Skip Palmer, President of The Wonderful World of OZ, a subsidiary of The OZ Entertainment Company. As Senator Burke mentioned, we are pleased to have this opportunity to provide a brief overview of our project and our company.

The Oz Entertainment Company is a development-stage family entertainment company that plans to build a family destination resort and theme park based on the legendary MGM film, The Wizard of OZ. The film has been viewed by more than a billion people and the forty-OZ books have been published in thirty-two languages.

The Wonderful World of OZ will be constructed in Johnson County. Our company is in the process of acquiring the 9,065-acre Sunflower Army Ammunition Plant from the State of Kansas. The Kansas Development Finance Authority is facilitating the conveyance of the property from the United States Army to other agencies through the Public Benefit Transfer process. Our company is negotiating with KDFA for the remainder of the plant. We believe that the eventual conveyance could result in our company receiving title to a substantial portion of the plant. We are preparing a plan to remediate and clean up of the entire facility.

The first phase of the project, 1,750 acres, includes the theme park, a 350-room hotel with 50,000 square feet of conference space, an 18-hole golf course and a recreation vehicle park. In addition, our subsidiary, OZ Consumer Products will capitalize on the popularity of OZ to market merchandise worldwide. The company will also develop important strategic growth businesses. OZ digital media will launch Virtual OZ on the Internet to promote the Theme Park and to sell tickets, merchandise, on-line games and advertising, all of which could generate significant revenues. Our development group will manage the economic redevelopment of the balance of the land including an Entertainment, Dining and Retail Complex as well as the OZ Technology Park. The first phase of the project at Sunflower is estimated to cost \$630 million dollars. The company has raised \$16.4 million dollars in equity capital to date. We are currently in the next round of financing which will raise an additional \$25 to \$35 million in senior preferred stock with our strategic partners.

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Attachment 2

The project sources of financing are as follows:

<b>OEC Capitalization</b>	
Common Equity	16,400,000
Senior Preferred Stock	30,000,000
Capital Leases	45,000,000
Senior Construction Financing	355,000,000
<b>OEC Capitalization Subtotal</b>	<b>446,400,000</b>
<b>Star Bonds</b>	<b>270,000,000</b>
<b>Job and Economic Development Grants</b>	<b>20,000,000</b>
<b>State and Local Financing (Estimates)</b>	
K-10 Interchange Modification	23,000,000
Parkway	4,000,000
Sewers	8,000,000
<b>State and Local Financing Subtotal</b>	<b>35,000,000</b>
<b>Total Project Sources</b>	<b>\$771,400,000</b>
<b>Percentage of Public Support</b>	<b>42%</b>

The first phase of the project is scheduled to open in the spring of 2002. Schematic design is 50% complete. Construction drawings will be finished by the end of this year. Pre-construction activity will be initiated this summer with general construction beginning in October and continuing for 31 months until the opening.

Landmark Entertainment, the world's leading independent theme park and attraction designer, created the Wonderful World of OZ Concept Design. Harrison Price, the "Dean" of theme park feasibility, has called the Landmark design outstanding. High quality theming will compare favorably with Disney. Interactive rides and attractions will add a contemporary dimension to the Theme Park (e.g., an animated Wicked Witch may call you by name from a video screen as you pass by). The Theme Park will operate 185 days per year with April through October accounting for approximately 95% of annual attendance. The Theme Park will encompass 200 acres, including parking, service areas, buffer and expansion space.



Landmark's signature design, rides and attractions will draw national attention:

- The dramatic Towers of OZ, home of the Wizard dominate THE EMERALD CITY. The Emerald City will be the principal venue for major shows, parades and a nightly fireworks spectacular.
- THE HAUNTED FOREST surrounds the Castle of the Wicked Witch and features many of the Theme Park's major thrill rides.
- MUNCHKINLAND recreates the miniature world of the Munchkins. Visitors will relive Dorothy's first visit to OZ through an interactive, 3-D dark ride.
- YELLOW BRICK COUNTRY provides a fantasy environment divided into three sections: The Enchanted Forest, A Fantasy Farmland and The Tinsmith's Village.
- OLD KANSAS offers a nostalgic journey to turn-of-the-century Kansas. The major attraction will be a re-creation of a tornado that transports visitors to OZ.
- THE NORTHERN KINGDOM (future development to be completed in Phase II over the first five years of Theme Park operations), home of the "Good Witch", will evoke the atmosphere of a winter carnival. The major attraction will be a thrilling bobsled on Glinda's icy mountain.

The Theme Park is designed to accommodate repeat visitation and growth in attendance. The first phase of the Park is capable of accommodating 31,500 guests per day supporting a potential annual attendance of 3.4 million guests.

The Emerald Resort and Conference Hotel will provide a unique experience for visitors to Kansas:

- The full-service four-star Emerald Resort Hotel and Conference Center is designed to open with 350 rooms.
- Occupancy will be supported by two primary markets:
  1. Tourists visiting the Theme Park when it is open
  2. Business conferences and meetings during the Theme Park's shoulder seasons (Fall weekdays, Winter, early-Spring weekdays)
- The hotel's 50,000 square feet of dedicated conference and meeting areas will be capable of handling 500 to 600 person group meetings.

- Amenities will include an 18-hole golf course, an indoor/outdoor swimming pool, tennis, health club, jogging and bike trails.
- The Project site also will include a 600-space RV Park and 30-acre Campground.

The OZ Consumer Products subsidiary will capitalize on the popularity of OZ:

- Sales of OZ-related merchandise have been significant for many years without coordinated promotion. For ten years, Turner's OZ merchandising activities focused on the collectibles market. Time Warner recently began including OZ merchandise in its Warner Brothers Stores, which will benefit the Theme Park. Time Warner OZ merchandising will support the Theme Park.
- The \$630 million Project will greatly enhance merchandising opportunities by bringing OZ to life in a major entertainment destination, creating new images of OZ characters and joining the existing OZ Film images with new characters in new products.
- OZ Consumer Products will consist of three divisions; Worldwide Licensing, The OZ Club, and Direct Marketing.

Our Project's strengths include:

- OZ is an American cultural icon that is popular worldwide.
- We have a rights agreement with Time Warner for use of the OZ Film images.
- We have a rights agreement with the L. Frank Baum Family Trust for those remaining books that are protected by copyright law.
- Based on Landmark's Concept Design, the Theme Park's viability has been confirmed by feasibility experts Harrison Price and Management Resources.
- The theme park industry has exhibited strong revenue growth and high operating margins for the last 25 years.
- We are uniquely positioned to benefit from the future growth of the Internet and the application of digital technology to a theme park.
- The Project will have significant economic impact on the State of Kansas and the Kansas City metropolitan area. According to the Mid-America Regional Council, that impact is the equivalent of both the Kansas City Chiefs and Royals combined at 240 million dollars annually.

As previously mentioned, we have agreed to accept the entire Sunflower Army Ammunition Plant less those portions that will be conveyed through the public benefit

transfer process or will have restricted or conditional uses. In addition, our company will enter into a consent agreement to remediate the entire plant. The Federal Government's current estimate for remediation is approximately 85 million dollars. This fiscal year the Army appropriated approximately 2 million dollars for remediation for Sunflower. As you can quickly calculate, at that annual appropriation rate, it could take more than 40 years to complete the work. It is the opinion of our environmental consultants, that our company should be able to complete the work in 14 years at an estimated cost of less than 60 million dollars.

The feasibility of The Wonderful World of OZ has been thoroughly documented by the leading research firms in our industry. The current mix of shopping and entertainment in the metropolitan area is diverse:

- The Country Club Plaza
- The Kansas City Chiefs
- The Kansas City Royals
- The Kansas City Zoo
- Riverboat Gaming

In addition to the above, the following attractions costing 200 million dollars each will open within the next several years:

- Union Station
- The Kansas City International Speedway

There are 17 million people who live within a 300-mile radius from Kansas City and 57 million people who live within a one-day drive (500 miles). The Midwest currently has no entertainment equivalent to The Wonderful World of OZ. There are approximately twelve amusement parks within 600 miles of Kansas City with annual attendance ranging from 1.1 to 3.3 million visitors. Almost all of them are thrill ride oriented seasonal parks that primarily target the teenage market. With its strong thematic appeal, scale of investment and diverse ride and show mix, The Wonderful World of OZ will offer a unique entertainment experience that will appeal to all age groups.

Currently, Midwesterners must travel to Florida or California to visit a destination themed attraction that appeals to the entire family. From the Midwest, The Wonderful World of OZ will be a one-day drive or less versus two days or more for a trip to Walt Disney World or Disneyland. Families will spend significantly less money visiting The Wonderful World of OZ than visiting Walt Disney World. The following comparison assumes two adults and two children:

	Drive to WWOZ	Drive to Walt Disney World	Fly to Walt Disney World
Transportation Costs	32	140	1,642
Travel Motels & Meals	64	516	Not Applicable
Resort Hotel & Meals	760	1,440	960
Theme Park Costs	231	256	256
<b>TOTAL</b>	<b>\$1,087</b>	<b>\$2,352</b>	<b>\$2,858</b>

As previously mentioned, the Project's feasibility has been confirmed by industry experts based on the detailed theme park design completed by Landmark Entertainment. Assuming 165 days of operation, Harrison Price, the Dean of theme park feasibility and known for his conservatism, has projected an annual attendance range of 2.6 to 3.1 million visitors. It should be noted that studies conducted by Harrison Price for 13 new theme and amusement parks in North America was, on average, 20% higher than his projected attendance. Management Resources has projected an attendance range of 2.8 to 3.2 million visits based on 185 days of operation.

Based on the above, our management team projects that we will draw 3.2 million visitors during our first year of operation. That projection is predicated on the following:

- Strength of the OZ story and characters
- Scale of investment
- Appeal to all age groups
- Significant marketing budget
- Participation of Corporate Sponsors
- Signature rides and shows
- An additional 5,000 hotel rooms (now 23,000) since completion of the Harrison Price report.

In addition, there are 17 theme and amusement parks in the United States that achieve 3.0 million or more annual visitors and an additional 13 that achieve between 2.0 million and 3.0 million annual visitors.

As you are aware, the State has passed legislation authorizing the issuance of Star Bonds. Star Bonds are sales tax revenue bonds issued by the State and are exempt from State and



Federal income taxes. Star Bonds are repaid from all sales and hotel occupancy taxes generated by the Project. Star Bonds are non-recourse to State of Kansas. The current legislation provides for a 20-year Star Bond term. Mr. Becker and Mr. Wright will explain the purpose of the modification we are requesting today.

One of the most fascinating components of our company is our subsidiary, OZ Digital Media. This company is staged to maximize the opportunities provided by the Internet, new media and digital technology:

- The Internet coupled with OEC's unique competitive advantages enable us to share the magic of OZ with a worldwide audience and become a leader in the application of new media technologies.
- New 3-D technologies combined with high-speed lines enable us to bring Virtual OZ to life as a new Internet portal community.
- Designing the Theme Park and its attractions will create \$50 million in digital art and technology that can be used for Virtual OZ.
- OZ is a branded, magical world of characters and three-dimensional effects that provide an excellent storyline for interactive attractions and virtual world applications.
- While three million people a year will visit the Theme Park, as many as three million people a day may visit Virtual OZ.
- The brand, scale and timing of the OZ Project allow OEC to become a leader in integrating networked virtual worlds with real entertainment locations.

Additionally, OZ Digital Media has the following competitive advantages:

- The Wonderful World of OZ will be the first theme park to be digitally designed and incorporating large-scale interactive attractions, thereby creating unique opportunities to put Virtual OZ on the Internet.
- OZ Digital Media can deliver higher quality media products at a lower cost by using Theme Park digital art.
- OZ is a globally recognized entertainment brand with high character recognition Q-Scores (*explain*) nearly equivalent to Disney's characters without Disney's years of expensive promotion.
- The Wizard of OZ movie has played annually on television, introducing new generations of children to the all of the characters each year.

- We have no legacy systems and can build a large-scale Internet company from the ground up.

We have assembled an all-star project management team:

Robert Kory	Chairman and Chief Executive Officer
Ron Bension	Vice Chairman and Chief Operating Officer
Skip Palmer	President Wonderful World of OZ
Dan Mapes	Chief Technology Officer and President of OZ Digital Media
Wendy Nunes	Vice President, Legal and Business Affairs
Bill McKenzie	Vice President and Treasurer

Our creative, planning and development team includes the leaders in the entertainment industry:

Landmark Entertainment Group  
The Harrison Price Company  
Hospitality Valuation Services  
Kajima Urban Development  
Project Control  
Baker Leisure Group  
Management Resources  
Adrienne Weiss Company  
EPM Communications  
Economic Research Associates

Our construction team includes two of the nations leading firms:

J. E. Dunn Construction  
Turner Construction

In conclusion, our company is poised to launch the most significant entertainment enterprise ever conceived in the mid-west. Our true industry impact is regional, national and international. Today, we seek your support of a legislative modification that provides the project with economic protection against unforeseen market conditions. Without HB 2166, the future of the Wonderful World of OZ could become extremely fragile.

Thank you again for the time you have afforded us to present our project.

House Committee on Economic Development  
February 16, 1999  
HB 2166

Michael Wojcicki  
Kansas Technology Enterprise Corporation

I am here to support the Land of Oz park and what it could mean for the state of Kansas, particularly what it could mean to KTEC's mission of technology-based economic development. The impact of Oz would likely go well beyond the immediate construction jobs and the continuing service jobs which the park would create. Perhaps as significant might be the high-tech infrastructure which the park and its attractions would demand. I use the word "infrastructure" here in a broad sense meaning not only the physical high-speed communications network the park would require but as importantly the human infrastructure - the innovative and highly skilled engineers and programmers - which would be needed to design and continually re-design the park's information technologies.

We have to understand that the creative work in information technologies won't be over once the park has been designed and built. The state-of-the-art technologies built into the park in the year 2000 won't be state-of-the-art in 2003 or 2005. The park's technologies will have to be continuously recreated and refreshed, much like the video game industry today. Some of this work will undoubtedly be done outside of Kansas, but some will just as undoubtedly have to be done here. Oz is going to require a large support infrastructure around it and even the best electronic communications will never replace the advantages of being physically close at hand.

An added possibility is that the information technologies and highly skilled, creative talent needed to support Oz might also find entrepreneurial opportunities through related applications in the communications and entertainment industries, which are two of the fastest growing sectors of the U.S. economy.

A couple weeks ago, Rich Bendis presented the Kansas Innovation Index to this committee and pointed out that Kansas ranks 2<sup>nd</sup> in the nation on a per capita basis in educating graduate degree scientists and engineers, yet ranks 38<sup>th</sup> in the nation on a per capita basis in employing Ph.D. scientists and engineers. What this means is that along with airplanes and agricultural products, a highly educated workforce is one of Kansas' greatest exports. The Oz Park and its surrounding support infrastructure could help in reversing this trend.

Our universities would also likely benefit as part of this support infrastructure through collaborative research projects with Oz. The Information and Telecommunications Technology Center (ITTC) - one of our Centers of Excellence on the KU campus - is already a valuable research partner with Sprint as well as smaller companies in Kansas. Many of their research strengths - such as high-speed networking, communications, and intelligent information systems - complement the high-tech needs of the park.

Economic Development  
2-16-99  
Attachment 3

Oz will demand a continuous replenishing of information technologies and recognizes that its main business is running a park not being a technology developer. So, part of its overall plan is to form a New Media Research Center on site which will feed state-of-the-art technologies into the park as well as create spin-off, high-tech business opportunities. In fact, KTEC and Black & Veatch have already started exploring with Oz how this research center might operate.

In sum, there are many ways that the Oz Park could help to strengthen the technology base of the Kansas economy. The bottom line is that Oz could be an engine - as well as a consumer - of advanced information technologies and a launchpad for technology development and employment in Kansas. From KTEC's perspective, the opportunities of Oz extend well beyond the park itself.



OZ HEARING  
TOPEKA, KANSAS

FEBRUARY 16, 1999  
PRESS RELEASE

My name is Terrence P. Dunn. I am president of J. E. Dunn Construction Company. I wish to reiterate that our interest is that of being a lead general contractor for this project. I would like to advise that we have been involved in the Oz project as an investor. Our initial involvement began in the early 1990's with the meeting of Robert Kory. To date the potential project has grown to approximately \$750 million per the Oz Development Group. The time frame for developing a project of this stature is quite similar to another major project in Johnson County, the Sprint Campus. The land for the Sprint Campus was acquired over ten years ago. The Oz construction program will have an enormous economic impact for local contractors, suppliers and workers who will construct this major project over an approximate two year period of time.

By: *Terrence P. Dunn*  
Terrence P. Dunn

Economic Development Co.  
2-16-99  
Attachment 4

## Summary of the Environmental Condition of the Sunflower Army Ammunition Depot

I was hired by the Oz Entertainment Company to evaluate the environmental condition and assist with remediation planning for the Sunflower Army Ammunition Depot. My team and I conducted an evaluation of over 20 documents from the site including the most recent studies and costs estimates. The most complete documents are the Environmental Baseline Survey, the Installation Restoration Plan, and the RCRA Facility Investigation. What I have found is that the Sunflower facility has been fairly well characterized with dozens of studies since the early 1980's.

Since intensive study began the federal government has spent approximately \$12,500,000 on extensive studies and limited remediation at Sunflower.

Based on the results of the Environmental Baseline Survey and other documents, the government has estimated the cost to remediate the plant over more than 30 years at a cost of an additional \$50,000,000 just to get to industrial standards. Our review of the data provided by the government indicates that the estimated costs are reasonable. However, government appropriations for cleanup have not been consistent or supportive of the proposed 30-year timetable.

The Oz Entertainment Company plan for cleanup of Sunflower is designed to accelerate the cleanup of Sunflower, completing remediation in 15 years. Through private sector management we expect to be more efficient in completing remediation.

It is important to note that the conclusions of our analysis are also being reviewed independently by our insurance carrier who will be underwriting Cost Cap and Pollution Legal Liability insurance for the project. Since they will have a powerful interest in ensuring the estimates are accurate we expect a vigorous and thorough review of the currently proposed costs.

As additional Quality Assurance we are having a detailed cost analysis performed by Dr. Sharouk Rohani, a national leader in the analysis of probable costs for remediation projects. The purpose of this analysis is to determine the most probable costs as well as to help guide the remediation by focusing our efforts on sites where we can have the greatest immediate impact.

To accomplish this we will start with the SWMU's within the proposed Park Boundaries as well as those that surround the Park. This initial investment in remediation is expected to be \$10,000,000 within the first several years, including the cost of insurance policies related to the remediation.

We are currently in the process of hiring a nationally recognized specialty contractor to complete the remediation, and possibly, other work at the plant.

We have all heard about the privatization of cleanup at federal facilities. The recent federal legislation to allow for early transfer of property was adopted two years ago but has not yet been used effectively to encourage privatized remediation and re-use of federal lands. I firmly believe that this project will be a model for early transfer and private cleanup in the future. Thank you for your attention and support.

Economic Development  
2-16-99  
Attachment 5

**Summary of House Bill No. 2166**  
(with proposed changes as of February 16, 1999)

**Highlights:**

1. Page 5, Line 32: Delete reference to redevelopment district being located outside the city limits of any city to prevent in ambiguity in the statute as to the operation of the bond financing provisions if any part of the redevelopment district is annexed by a city at any time while bonds are outstanding.
2. Page 7, Lines 1 – 7 Limit maximum maturity of any bonds issued to finance the Project to 30 years from the date of the first bond issued for the Project.
3. Sec. 4 Technical changes to coordinate 74-8924 (which is a general description of sources of payment for the bonds) with Section 74-8929 (which is the specific pledge of the various sales and use taxes).
4. Page 10, Line 26 Clarifies that the additional 2% sales tax is collected only on retail sales within the redevelopment district.
5. Page 15, Line 13 Clarifies that the additional 2% use tax is collected only within the redevelopment district.

Economic Development  
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Attachment 6

Master 2/15/99

Session of 1999

HOUSE BILL No. 2166

By Committee on Taxation

1-28

9 AN ACT concerning redevelopment projects of statewide as well as local  
 10 importance; amending K.S.A. 1998 Supp. 12-195, 74-8902, 74-8921,  
 11 74-8924, 74-8925, 74-8927, 79-3603 and 79-3703 and repealing the  
 12 existing sections; also repealing K.S.A. 1998 Supp. 74-8902a and 79-  
 13 3603a.

14  
15 *Be it enacted by the Legislature of the State of Kansas:*

16 Section 1. K.S.A. 1998 Supp. 12-195 is hereby amended to read as  
 17 follows: 12-195. (a) Except as otherwise provided in K.S.A. 12-195b, 12-  
 18 1774, 12-17,103 and K.S.A. 1998 Supp. 74-8924, and amendments  
 19 thereto, or subsection (b), no city or county shall commit any of the funds  
 20 or proceeds derived from a retailers' sales tax as a guarantee for the pay-  
 21 ment of bonds issued by such city or county *or the Kansas development*  
 22 *finance authority*.

23 (b) Any city or county which is the recipient of funds derived from a  
 24 local option sales tax pursuant to K.S.A. 12-187 *et seq.*, and amendments  
 25 thereto, is hereby authorized to issue revenue bonds to provide for the  
 26 payment of all or any portion of the cost of public facilities or improve-  
 27 ments of such city or county for which such city or county is authorized  
 28 pursuant to the constitution or laws of this state to issue general obligation  
 29 bonds and to pledge revenues received from countywide or city retailers'  
 30 sales taxes for the payment thereof. No such bonds shall be issued for the  
 31 payment of all or any portion of the cost of any facilities or improvements  
 32 to be used for commercial or retail purposes, except that such prohibition  
 33 shall not apply to revenue bonds issued for the payment of the cost of  
 34 constructing or improving a convention or exposition hall or center or  
 35 public auditorium. In the event the governing body of a city or county  
 36 proposes to issue such bonds, and the question of pledging the revenues  
 37 received from the countywide or city retailers' sales tax has not previously  
 38 been submitted to and approved by the voters of the city or county, such  
 39 proposition shall be published once each week for two consecutive weeks  
 40 in the official city or county newspaper, as the case requires. If, within  
 41 30 days after the last publication of the proposition, a petition is filed with  
 42 the county election officer signed by not less than 4% of the electors of  
 43 the city or county, as the case requires, who voted for the office of sec-

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2

1 retary of state at the last preceding general election for such office re-  
 2 questing an election thereon, no such bonds shall be issued unless the  
 3 proposition is submitted to and approved by a majority of the voters of  
 4 the city or county, as the case requires, voting at an election held thereon.  
 5 Any such election shall be called and held in accordance with the provi-  
 6 sions of K.S.A. 10-120, and amendments thereto, or in accordance with  
 7 the provisions of the mail ballot election act.

6-2

8 (1) Such bonds shall be authorized by ordinance of the governing  
9 body of such city or resolution of the governing body of such county. The  
10 bonds may be issued as registered bonds or coupon bonds, payable to  
11 bearer, and, if coupon bonds, may be registrable as to principal only or  
12 as to principal and interest, and may be made exchangeable for bonds of  
13 another denomination or in another form. The bonds may be in such  
14 form and denominations, may have such date or dates, may be stated to  
15 mature at such time or times, may bear interest payable at such times  
16 and at such rate or rates, may be payable at such places within or without  
17 the state, may be subject to such terms of redemption in advance of  
18 maturity at such prices, and may contain such terms and conditions, all  
19 as the city or county shall determine. The bonds shall have all the qualities  
20 of and shall be deemed to be negotiable instruments under the laws of  
21 the state of Kansas. The authorizing ordinance or resolution may contain  
22 any other terms, covenants and conditions that the city or county deems  
23 reasonable and desirable, including without limitation those pertaining to  
24 the maintenance of various funds and reserves, the nature and extent of  
25 any security for payment of the bonds, the custody and application of the  
26 proceeds of the bonds, the collection, transfer and disposition of sales tax  
27 revenues, the investing of bond proceeds or any funds pledged to the  
28 repayment of the bonds, and the rights, duties and obligations of the city  
29 or county and the owners of the bonds.

30 (2) The authorizing ordinance or resolution may provide for the ex-  
31 ecution of a trust indenture between the city or county and any financial  
32 institution within or without the state of Kansas. The trust indenture may  
33 contain any terms, covenants and conditions that are deemed desirable  
34 by the city or county.

35 (3) Any authorizing ordinance or resolution and trust indenture re-  
36 lating to the issuance of and security for the bonds shall constitute a  
37 contract between the city or county and the owners of the bonds, which  
38 contract, and all covenants, agreements and obligations therein, shall be  
39 promptly performed in strict compliance with the terms and provisions  
40 of such contract, and the covenants, agreements and obligations of the  
41 city or county may be enforced by mandamus or other appropriate pro-  
42 ceeding at law or in equity. The pledge of revenues made by the city or  
43 county shall be valid and binding from the time when such pledge is made

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3

1 and the revenues so pledged and thereafter received by the city or county  
2 shall immediately be subject to the lien of such pledge without such phys-  
3 ical delivery thereof or further act on the part of the city or county, and  
4 the lien of any such pledge shall be valid and binding as against all parties  
5 having claims of any kind against the issuer, irrespective of whether such  
6 parties have notice thereof. Neither the authorizing ordinance or reso-  
7 lution nor any other instrument by which a pledge is created need be  
8 filed or recorded except in the records of the city or county.

9 (4) The revenue bonds may be sold in such manner, either at public  
10 or private sale, and upon such terms as the city or county shall determine  
11 to be reasonable, including sale at discount. It shall be plainly stated on  
12 the face of each such bond that it has been issued under this act, that the  
13 bonds shall be special obligations of the city or county, payable solely and  
14 only from the revenues pledged to the payment of the bonds and that in  
15 no event, shall the bonds constitute an indebtedness of the state of Kansas  
16 or the city or county for which the faith and credit of the state of Kansas

17 or city or county is pledged.

18 (5) Any bonds issued under the provisions of this section and the  
19 interest thereon, shall be exempt from all taxes levied by the state of  
20 Kansas, or any political or taxing subdivision thereof, except inheritance  
21 taxes.

22 (6) Bonds may be issued for the purpose of refunding, either at ma-  
23 turity or in advance of maturity, any bonds issued under this section. Such  
24 refunding bonds may either be sold or delivered in exchange for the bonds  
25 being refunded. If sold, the proceeds may either be applied to the pay-  
26 ment of the bonds being refunded or deposited in trust and there main-  
27 tained in cash or investments for the retirement of the bonds being re-  
28 funded, as shall be specified by the city or county and the authorizing  
29 ordinance or resolution or trust indenture securing such refunding bonds.  
30 The authorizing ordinance or resolution or trust indenture securing the  
31 refunding bonds may provide that the refunding bonds shall have the  
32 same security for their payment as provided for the bonds being refunded.  
33 Refunding bonds shall be sold and secured in accordance with the pro-  
34 visions of this act pertaining to the sale and security of the bonds.

35 (7) Bonds issued under the provisions of this act shall be eligible to  
36 secure the deposit of public funds under article 14 of chapter 9 of the  
37 Kansas Statutes Annotated, and amendments thereto.

38 (8) Bonds issued under the provisions of this act shall be in addition  
39 to and not subject to any statutory limitation of bonded indebtedness  
40 imposed on such city or county.

41 Sec. 2. K.S.A. 1998 Supp. 74-8902 is hereby amended to read as  
42 follows: 74-8902. The following words or terms used in this act shall have  
43 the following meanings unless a different meaning clearly appears from

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4

1 the context:

2 (a) "Act" means the Kansas development finance authority act.

3 (b) "Authority" means the Kansas development finance authority cre-  
4 ated by K.S.A. 74-8903, and amendments thereto.

5 (c) "Agricultural business enterprises" means facilities supporting or  
6 utilized in the operation of farms, ranches and other agricultural, aqua-  
7 cultural or silvicultural commodity producers and services provided in  
8 conjunction with the foregoing. *"Agricultural business enterprise" shall*  
9 *not include a swine production facility on agricultural land which is*  
10 *owned, acquired, obtained or leased by a corporation, limited liability*  
11 *company, limited partnership, corporate partnership or trust.*

12 (d) "Agricultural land," "corporation," "corporate partnership,"  
13 "limited liability company," "limited partnership," "swine production fa-  
14 cility" and "trust" have the meanings ascribed pursuant to K.S.A. 17-  
15 5903, and amendments thereto.

16 (e) "Board of directors" means the board of directors of the au-  
17 thority created by K.S.A. 74-8903, and amendments thereto.

18 (f) "Bonds" means any bonds, notes, debentures, interim certifi-  
19 cates, grant and revenue anticipation notes, interest in a lease, lease cer-  
20 tificate of participation or other evidences of indebtedness, whether or  
21 not the interest on which is subject to federal income taxation, issued by  
22 the authority pursuant to this act.

23 (g) "Capital improvements" means any physical public betterment  
24 or improvement or any preliminary plans, studies or surveys relative  
25 thereto; land or rights in land, including, without limitations, leases, air

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26 rights, easements, rights-of-way or licenses; and any furnishings, machin-  
 27 ery, vehicles, apparatus or equipment for any public betterment or  
 28 improvement.

29 ~~(g)~~ (h) "Construct" means to acquire or build, in whole or in part, in  
 30 such manner and by such method as the authority shall determine to be  
 31 in the public interest and necessary to accomplish the purposes of and  
 32 authority set forth in this act.

33 ~~(h)~~ (i) "Loans" means loans made for the purposes of financing any  
 34 of the activities authorized within this act, including loans made to finan-  
 35 cial institutions for funding or as security for loans made for accomplishing  
 36 any of the purposes of this act and reserves and expenses appropriate or  
 37 incidental thereto.

38 ~~(i)~~ (j) "Educational facilities" means real, personal and mixed prop-  
 39 erty of any and every kind intended by an educational institution in fur-  
 40 therance of its educational program.

41 ~~(j)~~ (k) "Facilities" means any real property, personal property or  
 42 mixed property of any and every kind.

43 ~~(k)~~ (l) "Health care facilities" means facilities for furnishing physical

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5

1 or mental health care.

2 ~~(l)~~ (m) "Housing development" means any work or undertaking,  
 3 whether new construction or rehabilitation, which is designed and fi-  
 4 nanced pursuant to the provisions of this act for the primary purpose of  
 5 providing dwelling accommodations for elderly persons and families of  
 6 low income in need of housing.

7 ~~(m)~~ (n) "Industrial enterprise" means facilities for manufacturing,  
 8 producing, processing, assembling, repairing, extracting, warehousing,  
 9 distributing, communications, computer services, transportation, corpo-  
 10 rate and management offices and services provided in connection with  
 11 any of the foregoing, in isolation or in any combination, that involve the  
 12 creation of new or additional employment or the retention of existing  
 13 employment.

14 ~~(n)~~ (o) "Political subdivision" means political or taxing subdivisions of  
 15 the state, including municipal and quasi-municipal corporations, boards,  
 16 commissions, authorities, councils, committees, subcommittees and other  
 17 subordinate groups or administrative units thereof, receiving or expend-  
 18 ing and supported, in whole or in part, by public funds.

19 ~~(o)~~ (p) "Pooled bonds" means bonds of the authority, the interest on  
 20 which is subject to federal income taxation, which are issued for the pur-  
 21 pose of acquiring bonds issued by two or more political subdivisions.

22 ~~(p)~~ (q) "Project of statewide as well as local importance" means a  
 23 project as to which the secretary of commerce and housing has made a  
 24 finding that at least: (i) Capital improvements costing not less than  
 25 \$300,000,000 or, if constructed in a county which according to the 1990  
 26 decennial census contained a population of 25,000 or less, costing not less  
 27 than \$5,000,000 will be built in the state for such project; (ii) not less  
 28 than 1,500 or, if created in a county which according to the 1990 decennial  
 29 census contained a population of 25,000 or less, not less than 150 per-  
 30 manent and seasonal employment positions as defined by K.S.A. 74-  
 31 50,114, and amendments thereto, will be created in the state by such  
 32 project; ~~and (iii) is to be located outside the city limits of any city; and~~  
 33 ~~(iv) is to be located at a site designated as a federal enclave as of January~~  
 34 1, 1998.

35.       ~~(q)~~ (r) "State" means the state of Kansas.  
 36.       ~~(s)~~ (s) "State agency" means any office, department, board, commis-  
 37.       sion, bureau, division, public corporation, agency or instrumentality of  
 38.       this state.  
 39.       Sec. 3. K.S.A. 1998 Supp. 74-8921 is hereby amended to read as  
 40.       follows: 74-8921. (a) In addition to the other requirements of this act,  
 41.       bonds issued by the authority under subsection (e) of K.S.A. 74-8905, and  
 42.       amendments thereto, shall be issued only after the authority establishes  
 43.       a redevelopment district and approves a redevelopment plan for a project

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1       of statewide as well as local importance in accordance with subsections  
 2       (b) and (c).

3       (b) The authority may establish a district to be known as a "redevelop-  
 4       ment district" within the state after the secretary of commerce and  
 5       housing has certified that the district will contain a project of statewide  
 6       as well as local importance.

7       (c) A project of statewide as well as local importance may be under-  
 8       taken by the authority or a developer on behalf of the authority, in one  
 9       or more phases, within a redevelopment district after the redevelopment  
 10       district has been established by the authority. To establish a redevelop-  
 11       ment district, the authority shall adopt a resolution stating its intent to  
 12       establish the redevelopment district, describing the boundaries of the  
 13       proposed district, identifying any proposed projects to be considered as  
 14       a part of the redevelopment district, and stating the time, place, and  
 15       manner that the authority will receive public written comment on the  
 16       proposed redevelopment district. The resolution shall be published once  
 17       each week for two consecutive weeks in a newspaper of general circula-  
 18       tion within the county in which the redevelopment district may be estab-  
 19       lished. A copy of the resolution shall be mailed to the governing bodies  
 20       of the county and the school district in which the proposed redevelop-  
 21       ment district is located. Upon conclusion of a public comment period of  
 22       not less than 10 days following the second publication, the authority may  
 23       adopt a resolution establishing the redevelopment district. Any addition  
 24       of area to the redevelopment district shall be subject to the same pro-  
 25       cedure as the original resolution that established the redevelopment  
 26       district.

27       (d) Any redevelopment plan undertaken within the redevelopment  
 28       district may be in separate development stages. Each plan shall be  
 29       adopted according to the provisions of K.S.A. 1998 Supp. 74-8922, and  
 30       amendments thereto, and shall fix a date for completion. Any project  
 31       constituting a part of an approved redevelopment plan shall be completed  
 32       within 20 years from the date of the establishment of the redevelopment  
 33       district.

34       (e) Subject to the provisions of K.S.A. 1998 Supp. 74-8925, and  
 35       amendments thereto, any increment in ad valorem property taxes result-  
 36       ing from a redevelopment district undertaken in accordance with the  
 37       provisions of this act, shall be apportioned to the redevelopment bond  
 38       fund created pursuant to K.S.A. 1998 Supp. 74-8927, and amendments  
 39       thereto, for the payment of the costs of the project of statewide as well  
 40       as local importance, including the payment of principal and interest on  
 41       any bonds issued to finance such project pursuant to this act and may be  
 42       pledged to the payment of principal and interest on such bonds. The  
 43       maximum maturity ~~on~~ of bonds issued to finance projects of statewide as

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1 well as local importance pursuant to this section and subsection (e) of  
 2 K.S.A. 74-8905, and amendments thereto, shall not exceed 20 years from  
 3 the date of establishment of the redevelopment district ~~except that the~~  
 4 ~~maximum maturity of bonds issued may be extended to a maximum ma-~~  
 5 ~~turity period not to exceed a period greater than 32 years or such period~~  
 6 ~~as the secretary of commerce may determine is necessary for the economic~~  
 7 ~~feasibility of financing a project of statewide as well as local importance.~~  
 8 For the purposes of this act, "increment" means that amount of ad va-  
 9 lorem taxes collected from real property located within the redevelop-  
 10 ment district that is in excess of the amount which is produced from such  
 11 property and attributable to the assessed valuation of such property prior  
 12 to the date the redevelopment district was established, as determined  
 13 under the provisions of K.S.A. 1998 Supp. 74-8925, and amendments  
 14 thereto.

30  
 the scheduled  
 maturity of the  
 first series of  
 bonds issued to  
 finance the  
 redevelopment  
 project.

15 (f) Before any redevelopment district is established pursuant to  
 16 K.S.A. 1998 Supp. 74-8921, and amendments thereto, a comprehensive  
 17 feasibility study, which shows the benefits derived from such project will  
 18 exceed the costs and that the income therefrom will be sufficient to pay  
 19 for the project, shall be prepared by the developer and submitted to the  
 20 secretary of commerce and housing and the authority and an agreement  
 21 between the authority and the developer with respect to implementing  
 22 the redevelopment plan shall have been executed. Such feasibility study  
 23 shall be an open public record.

24 Sec. 4. K.S.A. 1998 Supp. 74-8924 is hereby amended to read as  
 25 follows: 74-8924. (a) Any bonds issued by the authority under subsection  
 26 (e) of K.S.A. 74-8905, and amendments thereto, to finance the undertak-  
 27 ing of any project of statewide as well as local importance in accordance  
 28 with the provisions of this act, shall be made payable, both as to principal  
 29 and interest:

30 (1) From property tax increments allocated to, and paid into a special  
 31 fund of the authority under the provisions of K.S.A. 1998 Supp. 74-8925,  
 32 and amendments thereto;

33 (2) from revenues of the authority or the developer derived from or  
 34 held in connection with the undertaking and carrying out of any rede-  
 35 velopment plan under this act;

36 (3) from any private sources, contributions or other financial assis-  
 37 tance from the state or federal government;

38 (4) from ~~a pledge of a portion or all of the revenue collected by the~~  
 39 ~~state under K.S.A. 1998 Supp. 74-8927, and amendments thereto, for a~~  
 40 ~~period not to exceed 20 years after the date of establishment of the re-~~  
 41 ~~development district;~~

42 (5) from a pledge of a portion or all increased revenue received by  
 43 any city from franchise fees collected from utilities and other businesses

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1 using public right-of-way within the redevelopment district;  
 2 (6) from a pledge of a portion or all of the revenue received by any  
 3 city from sales taxes collected pursuant to K.S.A. 12-187, and amend-  
 4 ments thereto; ~~or~~  
 5 ~~(7) from a pledge of all of the revenues received by the county in-~~

or

within the redevelopment district

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6 ~~which the project is located from the tax collected pursuant to K.S.A. 1998~~  
 7 ~~Supp. 74-8929, or~~

8 ~~(7) (8)~~ by any combination of these methods.

9 (b) The authority may pledge such revenue to the repayment of such  
 10 bonds prior to, simultaneously with, or subsequent to the issuance of such  
 11 bonds.

12 Sec. 5. K.S.A. 1998 Supp. 74-8925 is hereby amended to read as  
 13 follows: 74-8925. (a) For the purposes of this act, the term "taxing sub-  
 14 division" shall include the county, the city, the unified school district and  
 15 any other taxing subdivision levying real property taxes, the territory or  
 16 jurisdiction of which includes any currently existing or subsequently cre-  
 17 ated redevelopment district. The term "real property taxes" includes all  
 18 taxes levied on an ad valorem basis upon land and improvements thereon.

19 (b) All tangible taxable property located within a redevelopment dis-  
 20 trict shall be assessed and taxed for ad valorem tax purposes pursuant to  
 21 law in the same manner that such property would be assessed and taxed  
 22 if located outside such district, and all ad valorem taxes levied on such  
 23 property shall be paid to and collected by the county treasurer in the  
 24 same manner as other taxes are paid and collected. Except as otherwise  
 25 provided in this section, the county treasurer shall distribute such taxes  
 26 as may be collected in the same manner as if such property were located  
 27 outside a redevelopment district. Each redevelopment district established  
 28 under the provisions of this act shall constitute a separate taxing unit for  
 29 the purpose of the computation and levy of taxes.

30 (c) Beginning with the first payment of taxes which are levied follow-  
 31 ing the date of approval of any redevelopment district established pur-  
 32 suant to K.S.A. 1998 Supp. 74-8921, and amendments thereto, real prop-  
 33 erty taxes received by the county treasurer resulting from taxes which are  
 34 levied subject to the provisions of this act by and for the benefit of a  
 35 taxing subdivision, as herein defined, on property located within such  
 36 redevelopment district constituting a separate taxing unit under the pro-  
 37 visions of this section, shall be divided as follows:

38 (1) From the taxes levied each year subject to the provisions of this  
 39 act by or for each of the taxing subdivisions upon property located within  
 40 a redevelopment district constituting a separate taxing unit under the  
 41 provisions of this act, the county treasurer first shall allocate and pay to  
 42 each such taxing subdivision all of the real property taxes collected which  
 43 are produced from that portion of the current assessed valuation of such

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9

1 real property located within such separate taxing unit which is equal to  
 2 the total assessed value of such real property on the date of the estab-  
 3 lishment of the redevelopment district.

4 (2) Any real property taxes produced from that portion of the current  
 5 assessed valuation of real property within the redevelopment district con-  
 6 stituting a separate taxing unit under the provisions of this section in  
 7 excess of an amount equal to the total assessed value of such real property  
 8 on the effective date of the establishment of the district shall be allocated  
 9 and paid by the county treasurer according to specified percentages of  
 10 the tax increment expressly agreed upon and consented to by the gov-  
 11 erning bodies of the county and school district in which the redevelo-  
 12 pment district is located. The amount of the real property taxes allocated  
 13 and payable to the authority under the agreement shall be paid by the  
 14 county treasurer to the treasurer of the state. The remaining amount of

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15 the real property taxes not payable to the authority shall be allocated and  
 16 paid in the same manner as other ad valorem taxes. Any real property  
 17 taxes paid to the state treasurer under this section shall be deposited in  
 18 the redevelopment bond finance fund of the authority which is created  
 19 pursuant to K.S.A. 1998 Supp. 74-8927, and amendments thereto, to pay  
 20 the costs of the project of statewide as well as local importance, including  
 21 the payment of principal of and interest on any bonds issued by the au-  
 22 thority to finance, in whole or in part, such project. When such bonds  
 23 and interest thereon have been paid, all moneys thereafter received from  
 24 real property taxes within such redevelopment district shall be allocated  
 25 and paid to the respective taxing subdivisions in the same manner as are  
 26 other ad valorem taxes. If such bonds and interest thereon have been paid  
 27 before the completion of a project, the authority may continue to use  
 28 such moneys for any purpose authorized by this act until such time as the  
 29 project costs are paid or reimbursed, but for a period not to exceed ~~20~~  
 30 ~~years from the date of the establishment of the redevelopment district~~  
 31 *the scheduled maturity of the bonds* .

32 (d) In any redevelopment plan or in the proceedings for the issuing  
 33 of any bonds by the authority to finance a project of statewide as well as  
 34 local importance, the property tax increment portion of taxes provided  
 35 for in paragraph (2) of subsection (c) may be irrevocably pledged for the  
 36 payment of the principal of and interest on such bonds. The authority  
 37 may adopt a redevelopment plan in which only a specified percentage of  
 38 the tax increment realized from taxpayers in the redevelopment district  
 39 is pledged to the payment of costs of the project of statewide as well as  
 40 local importance.

41 Sec. 6. K.S.A. 1998 Supp. 74-8927 is hereby amended to read as  
 42 follows: 74-8927. (a) Until the earlier of: (1) The date the bonds issued  
 43 to finance or refinance the redevelopment undertaken in the redevel-

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(2)

1 opment district have been paid in full; or ~~(2) twenty years after the es-~~  
 2 ~~tablishment of the redevelopment district~~ *(the scheduled maturity date of*  
 3 *the first series of bonds issued to finance the redevelopment project* , all  
 4 revenues collected or received from the state transient guest tax estab-  
 5 lished pursuant to K.S.A. 1998 Supp. 79-5301 through 79-5304, and  
 6 amendments thereto, any revenue from a county or countywide retailers'  
 7 sales tax levied or collected under K.S.A. 1998 Supp. 74-8929 and amend-  
 8 ments thereto, the state retailers' sales tax pursuant to K.S.A. 79-3603,  
 9 and amendments thereto, and the state compensating use tax, pursuant  
 10 to K.S.A. 79-3703, and amendments thereto, which have been certified  
 11 by the director of taxation to have been derived from taxpayers located  
 12 in a redevelopment district shall be remitted to the state treasurer.

13 (b) The state treasurer shall credit all such revenues to the redevel-  
 14 opment bond fund which is hereby established in the state treasury. The  
 15 state treasurer shall make such biannual distributions on dates mutually  
 16 agreed upon by the treasurer and the authority. The authority shall use  
 17 all such moneys received pursuant to this section to pay the costs of a  
 18 redevelopment project of statewide as well as local importance as de-  
 19 scribed in K.S.A. 74-8902, and amendments thereto.

20 Sec. 7. K.S.A. 1998 Supp. 79-3603 is hereby amended to read as  
 21 follows: 79-3603. For the privilege of engaging in the business of selling  
 22 tangible personal property at retail in this state or rendering or furnishing  
 23 any of the services taxable under this act, there is hereby levied and there

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*and only within the redevelopment district.*

24 shall be collected and paid a tax at the rate of 4.9% and, within a rede-  
 25 velopment district established pursuant to K.S.A. 74-8921, and amend-  
 26 ments thereto, there is hereby levied and there shall be collected and paid  
 27 an additional tax at the rate of 2% until the earlier of the date the bonds  
 28 issued to finance or refinance the redevelopment project have been paid  
 29 in full or the scheduled maturity of the first series of bonds issued to  
 30 finance any part of the project upon:

31 (a) The gross receipts received from the sale of tangible personal  
 32 property at retail within this state;

33 (b) (1) the gross receipts from intrastate telephone or telegraph serv-  
 34 ices and (2) the gross receipts received from the sale of interstate tele-  
 35 phone or telegraph services, which (A) originate within this state and  
 36 terminate outside the state and are billed to a customer's telephone num-  
 37 ber or account in this state; or (B) originate outside this state and ter-  
 38 minate within this state and are billed to a customer's telephone number  
 39 or account in this state except that the sale of interstate telephone or  
 40 telegraph service does not include: (A) Any interstate incoming or out-  
 41 going wide area telephone service or wide area transmission type service  
 42 which entitles the subscriber to make or receive an unlimited number of  
 43 communications to or from persons having telephone service in a speci-

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1 fied area which is outside the state in which the station provided this  
 2 service is located; (B) any interstate private communications service to  
 3 the persons contracting for the receipt of that service that entitles the  
 4 purchaser to exclusive or priority use of a communications channel or  
 5 group of channels between exchanges; (C) any value-added nonvoice  
 6 service in which computer processing applications are used to act on the  
 7 form, content, code or protocol of the information to be transmitted; (D)  
 8 any telecommunication service to a provider of telecommunication serv-  
 9 ices which will be used to render telecommunications services, including  
 10 carrier access services; or (E) any service or transaction defined in this  
 11 section among entities classified as members of an affiliated group as  
 12 provided by federal law (U.S.C. Section 1504). For the purposes of this  
 13 subsection the term gross receipts does not include purchases of tele-  
 14 phone, telegraph or telecommunications using a prepaid telephone call-  
 15 ing card or pre-paid authorization number. As used in this subsection, a  
 16 pre-paid telephone calling card or pre-paid authorization number means  
 17 the right to exclusively make telephone calls, paid for in advance, with  
 18 the prepaid value measured in minutes or other time units, that enables  
 19 the origination of calls using an access number or authorization code or  
 20 both, whether manually or electronically dialed;

21 (c) the gross receipts from the sale or furnishing of gas, water, elec-  
 22 tricity and heat, which sale is not otherwise exempt from taxation under  
 23 the provisions of this act, and whether furnished by municipally or pri-  
 24 vately owned utilities;

25 (d) the gross receipts from the sale of meals or drinks furnished at  
 26 any private club, drinking establishment, catered event, restaurant, eating  
 27 house, dining car, hotel, drugstore or other place where meals or drinks  
 28 are regularly sold to the public;

29 (e) the gross receipts from the sale of admissions to any place pro-  
 30 viding amusement, entertainment or recreation services including admis-  
 31 sions to state, county, district and local fairs, but such tax shall not be  
 32 levied and collected upon the gross receipts received from sales of ad-

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- 33 missions to any cultural and historical event which occurs triennially;  
 34 (f) the gross receipts from the operation of any coin-operated device  
 35 dispensing or providing tangible personal property, amusement or other  
 36 services except laundry services, whether automatic or manually operated;  
 37 (g) the gross receipts from the service of renting of rooms by hotels,  
 38 as defined by K.S.A. 36-501 and amendments thereto, or by accommo-  
 39 dation brokers, as defined by K.S.A. 12-1692, and amendments thereto;  
 40 (h) the gross receipts from the service of renting or leasing of tangible  
 41 personal property except such tax shall not apply to the renting or leasing  
 42 of machinery, equipment or other personal property owned by a city and  
 43 purchased from the proceeds of industrial revenue bonds issued prior to

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- 1 July 1, 1973, in accordance with the provisions of K.S.A. 12-1740 through  
 2 12-1749, and amendments thereto, and any city or lessee renting or leas-  
 3 ing such machinery, equipment or other personal property purchased  
 4 with the proceeds of such bonds who shall have paid a tax under the  
 5 provisions of this section upon sales made prior to July 1, 1973, shall be  
 6 entitled to a refund from the sales tax refund fund of all taxes paid  
 7 thereon;  
 8 (i) the gross receipts from the rendering of dry cleaning, pressing,  
 9 dyeing and laundry services except laundry services rendered through a  
 10 coin-operated device whether automatic or manually operated;  
 11 (j) the gross receipts from the rendering of the services of washing  
 12 and washing and waxing of vehicles;  
 13 (k) the gross receipts from cable, community antennae and other sub-  
 14 scriber radio and television services;  
 15 (l) the gross receipts received from the sales of tangible personal  
 16 property to all contractors, subcontractors or repairmen of materials and  
 17 supplies for use by them in erecting structures for others, or building on,  
 18 or otherwise improving, altering, or repairing real or personal property  
 19 of others;  
 20 (m) the gross receipts received from fees and charges by public and  
 21 private clubs, drinking establishments, organizations and businesses for  
 22 participation in sports, games and other recreational activities, but such  
 23 tax shall not be levied and collected upon the gross receipts received from:  
 24 (1) Fees and charges by any political subdivision, by any organization  
 25 exempt from property taxation pursuant to paragraph *Ninth* of K.S.A. 79-  
 26 201, and amendments thereto, or by any youth recreation organization  
 27 exclusively providing services to persons 18 years of age or younger which  
 28 is exempt from federal income taxation pursuant to section 501(c)(3) of  
 29 the federal internal revenue code of 1986, for participation in sports,  
 30 games and other recreational activities; and (2) entry fees and charges for  
 31 participation in a special event or tournament sanctioned by a national  
 32 sporting association to which spectators are charged an admission which  
 33 is taxable pursuant to subsection (e);  
 34 (n) the gross receipts received from dues charged by public and pri-  
 35 vate clubs, drinking establishments, organizations and businesses, pay-  
 36 ment of which entitles a member to the use of facilities for recreation or  
 37 entertainment, but such tax shall not be levied and collected upon the  
 38 gross receipts received from: (1) Dues charged by any organization ex-  
 39 empt from property taxation pursuant to paragraphs *Eighth* and *Ninth* of  
 40 K.S.A. 79-201, and amendments thereto; and (2) sales of memberships  
 41 in a nonprofit organization which is exempt from federal income taxation

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42 pursuant to section 501 (c)(3) of the federal internal revenue code of  
43 1986, and whose purpose is to support the operation of a nonprofit zoo;

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1 (o) the gross receipts received from the isolated or occasional sale of  
2 motor vehicles or trailers but not including: (1) The transfer of motor  
3 vehicles or trailers by a person to a corporation solely in exchange for  
4 stock securities in such corporation; or (2) the transfer of motor vehicles  
5 or trailers by one corporation to another when all of the assets of such  
6 corporation are transferred to such other corporation; or (3) the sale of  
7 motor vehicles or trailers which are subject to taxation pursuant to the  
8 provisions of K.S.A. 79-5101 et seq., and amendments thereto, by an  
9 immediate family member to another immediate family member. For the  
10 purposes of clause (3), immediate family member means lineal ascendants  
11 or descendants, and their spouses. In determining the base for computing  
12 the tax on such isolated or occasional sale, the fair market value of any  
13 motor vehicle or trailer traded in by the purchaser to the seller may be  
14 deducted from the selling price;

15 (p) the gross receipts received for the service of installing or applying  
16 tangible personal property which when installed or applied is not being  
17 held for sale in the regular course of business, and whether or not such  
18 tangible personal property when installed or applied remains tangible  
19 personal property or becomes a part of real estate, except that no tax shall  
20 be imposed upon the service of installing or applying tangible personal  
21 property in connection with the original construction of a building or  
22 facility, the original construction, reconstruction, restoration, remodeling,  
23 renovation, repair or replacement of a residence or the construction, re-  
24 construction, restoration, replacement or repair of a bridge or highway.

25 For the purposes of this subsection:

26 (1) "Original construction" shall mean the first or initial construction  
27 of a new building or facility. The term "original construction" shall include  
28 the addition of an entire room or floor to any existing building or facility,  
29 the completion of any unfinished portion of any existing building or fa-  
30 cility and the restoration, reconstruction or replacement of a building or  
31 facility damaged or destroyed by fire, flood, tornado, lightning, explosion  
32 or earthquake, but such term, except with regard to a residence, shall not  
33 include replacement, remodeling, restoration, renovation or reconstruc-  
34 tion under any other circumstances;

35 (2) "building" shall mean only those enclosures within which individ-  
36 uals customarily are employed, or which are customarily used to house  
37 machinery, equipment or other property, and including the land improve-  
38 ments immediately surrounding such building;

39 (3) "facility" shall mean a mill, plant, refinery, oil or gas well, water  
40 well, feedlot or any conveyance, transmission or distribution line of any  
41 cooperative, nonprofit, membership corporation organized under or sub-  
42 ject to the provisions of K.S.A. 17-4601 et seq., and amendments thereto,  
43 or of any municipal or quasi-municipal corporation, including the land

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14

1 improvements immediately surrounding such facility; and  
2 (4) "residence" shall mean only those enclosures within which indi-  
3 viduals customarily live;

4 (q) the gross receipts received for the service of repairing, servicing,  
 5 altering or maintaining tangible personal property, except computer soft-  
 6 ware described in subsection (s), which when such services are rendered  
 7 is not being held for sale in the regular course of business, and whether  
 8 or not any tangible personal property is transferred in connection there-  
 9 with. The tax imposed by this subsection shall be applicable to the services  
 10 of repairing, servicing, altering or maintaining an item of tangible personal  
 11 property which has been and is fastened to, connected with or built into  
 12 real property;

13 (r) the gross receipts from fees or charges made under service or  
 14 maintenance agreement contracts for services, charges for the providing  
 15 of which are taxable under the provisions of subsection (p) or (q);

16 (s) the gross receipts received from the sale of computer software,  
 17 and the sale of the services of modifying, altering, updating or maintaining  
 18 computer software. As used in this subsection, "computer software"  
 19 means information and directions loaded into a computer which dictate  
 20 different functions to be performed by the computer. Computer software  
 21 includes any canned or prewritten program which is held or existing for  
 22 general or repeated sale, even if the program was originally developed  
 23 for a single end user as custom computer software. The sale of computer  
 24 software or services does not include: (1) The initial sale of any custom  
 25 computer program which is originally developed for the exclusive use of  
 26 a single end user; or (2) those services rendered in the modification of  
 27 computer software when the modification is developed exclusively for a  
 28 single end user only to the extent of the modification and only to the  
 29 extent that the actual amount charged for the modification is separately  
 30 stated on invoices, statements and other billing documents provided to  
 31 the end user. The services of modification, alteration, updating and main-  
 32 tenance of computer software shall only include the modification, alter-  
 33 ation, updating and maintenance of computer software taxable under this  
 34 subsection whether or not the services are actually provided; and

35 (t) the gross receipts received for telephone answering services, in-  
 36 cluding mobile phone services, beeper services and other similar services;  
 37 and

38 (u) the gross receipts received from the sale of prepaid telephone  
 39 calling cards or pre-paid authorization numbers and the recharge of such  
 40 cards or numbers. A pre-paid telephone calling card or pre-paid author-  
 41 ization number means the right to exclusively make telephone calls, paid  
 42 for in advance, with the prepaid value measured in minutes or other time  
 43 units, that enables the origination of calls using an access number or

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1 authorization code or both, whether manually or electronically dialed. If  
 2 the dale or recharge of such card or number does not take place at the  
 3 vendor's place of business, it shall be conclusively determined to take  
 4 place at the customer's shipping address; if there is no item shipped then  
 5 it shall be the customer's billing address.

6 Sec. 8. K.S.A. 1998 Supp. 79-3703 is hereby amended to read as  
 7 follows: 79-3703. There is hereby levied and there shall be collected from  
 8 every person in this state a tax or excise for the privilege of using, storing,  
 9 or consuming within this state any article of tangible personal property.  
 10 Such tax shall be levied and collected in an amount equal to the consid-  
 11 eration paid by the taxpayer multiplied by the rate of 4.9%. Within a  
 12 redevelopment district established pursuant to K.S.A. 1998 Supp. 74-

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and only within the development district

13 8921, and amendments thereto, there is hereby levied and there shall be  
 14 collected and paid an additional tax of ~~1%~~ 2% until the earlier of: (1) The  
 15 date the bonds issued to finance or refinance the redevelopment project  
 16 undertaken in the district have been paid in full; or (2) ~~twenty years after~~  
 17 ~~the establishment of the redevelopment district~~ *the scheduled maturity*  
 18 *of the first series of bonds issued to finance the redevelopment project* . All  
 19 property purchased or leased within or without this state and subse-  
 20 quently used, stored or consumed in this state shall be subject to the  
 21 compensating tax if the same property or transaction would have been  
 22 subject to the Kansas retailers' sales tax had the transaction been wholly  
 23 within this state.  
 24 Sec. 9. K.S.A. 1998 Supp. 12-195, 74-8902, 74-8902a, 74-8921, 74-  
 25 8924, 74-8925, 74-8927, 79-3603, 79-3603a and 79-3703 are hereby  
 26 repealed.  
 27 Sec. 10. This act shall take effect and be in force from and after its  
 28 publication in the statute book.



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**Johnson County Hearing 2/8/99**  
**Remarks by Kenneth L. Becker, Director, Salomon Smith Barney**

For those of you not familiar with my company, let me start with a brief introduction. Salomon Smith Barney's parent company is Citigroup, the largest financial services firm in the United States and the third largest in the world. Citigroup is made up of a number of permanent companies, the largest of which is, Citibank, Traveler's Insurance, Salomon Smith Barney, and Commercial Credit Corp. Salomon Smith Barney has been ranked number one in the United States for the last three years in a row in Public Finance and has also been ranked number one in structured finance which includes projects like the World of OZ Theme Park. Examples of other projects that fall into the structured finance area for which we have either recently been hired or recently finished our engagement include:

- Kansas City NASCAR Speedway
- Houston Astros (new stadium)
- Nashville and St. Louis (new football stadiums)
- McCormick Convention Center
- Pittsburg Stealers (serving as financial advisor for the new stadium)
- Kansas Department of Transportation (serving as investment banker)
- Bank corporations (on the corporate side serving as investment banker)

We were chosen by the OZ Entertainment Company to bring this expertise to this complex financing for the proposed theme park.

We were contacted in February of 1998 to consider providing investment banking services to the OZ Entertainment Company. We spent the first two months determining whether or not to even accept this assignment. We were skeptical at first, and that skepticism revolved around the question: Can a Disney quality theme park be built in an area that can not operate 365 days a year and still be commercially viable and produce an acceptable rate of return to the investors?

After completing our due diligence, we concluded the answer was yes to this question. The reason we could answer positively was primarily because of the public/private partnership which has been forged in this project. The largest part of this partnership lay in the ability to use Star Bonds as a financial tool in our modeling. The other part of the public/private partnership that is important is the recent cooperation with KDFA in the negotiations with the General Services Administration and the Department of the Army in helping to expedite the land transfer at the Sunflower site.

We spent the next nine months, March - November, doing our due diligence on the project. Our role in doing this is to look at all of the economic and project feasibility material with a critical eye and to play "doubter." We go in and look for weaknesses and then see if we can restructure the project to take care of these weaknesses. We dedicated six people during this period of time to completely reviewing this project.

Economic Development Co.  
2-16-99  
Attachment 7



Upon completing our due diligence, there were elements that brought us to the conclusion that this project not only makes sense, but can be commercially viable and provide a fair rate of return to investors.

These included:

1. The public/private partnership that was discussed above;
2. Management team - the hiring of Ron Bension (the former Chairman and CEO of RCA/Universal Studios Recreation Group) was an important hire and brought to this start up operation the overall experience that was needed in the development of the park. When combined with Robert Kory, who has had the vision and legal expertise in securing the rights to the OZ stories and movie, and Skip Palmer, a former Director of Operations at Disneyland, the existing management forms the basis of the team which can make this project successful.
3. Reaching Agreement between KDFA and the GSA on an expedited process to transfer title of Sunflower;
4. The closing of \$17 million of seed capital for initial design of the park; and
5. Final conclusion of the rights agreement with Time Warner and subsequent agreement by Time Warner to serve as Licensure Agent for the consumer products generated by the OZ Entertainment Company.

Our due diligence culminating in submission of the project finance plan to two of Salmon Smith Barney's credit committees, the equity and high yield debt committees. Here the project was subjected to further scrutiny and was approved. This resulted in our providing to the company a "highly confident letter" in December of 1998. This highly confident letter indicates that our firm is highly confident that we can raise the money necessary to finance the project. In short, we are highly confident that, given present market conditions, that the World of OZ theme park is going to be financed, built, and will be a commercially viable enterprise and a large contributor to the economic health of the region.

This brings me back to the public/private partnership component of this endeavor. Whenever there is a public/private partnership, there is the inevitable question as to how much the public should participate in any particular project.

This is not an easy question since the financing of a project such as this is not a science but instead an art. There are no easy formulas that tell one what the public contribution should be. However, it is certainly true that the private entity should contribute back to the public more than it receives. In this vein, the Mid America Regional Council (MARC) was commissioned by Wyandotte and Johnson Counties to produce an independent analysis of the economic contribution of the project to the region. The MARC study showed that net of the Star Bonds the theme park will contribute approximately \$240 million of additional Gross Regional Product



including 7,500 new jobs created. We believe this is a significant contribution to the economic well being of the region and is the equivalent of both the Chiefs and Royals sports teams.

The finance plan for this project is an extremely complicated one requiring the coordination of a number of different markets (equity, bank, taxable, bond market, and the tax-exempt bond market) all of which are constantly moving and have most recently been somewhat volatile; and in addition, they don't necessarily move in the same direction or in sync with each other. This means that small movements in the market can mean millions of dollars to the finance plan and unforeseeable circumstances can close off some market options for short periods of time. For instance, the world wide liquidity crunch experienced in the last 8 months shut down the high yield taxable market for several months. Fortunately, this problem is easing and this market is again becoming viable.

The reason I point this out is simply to make the point that when we get to the final months of the finance plan, that there are a number of things we need to make sure we have taken into account and contingencies made to assure that we can finance the project.

In addition, during the period we were modeling the financial plan, the scope of the project has changed. Initially, the company was going to lease the first 1,500 acres and now the company, if it is the successful bidder, intends to purchase all 9,000 acres and sign a consent decree which will require the company to remediate all 9,000 acres.

Along with the forward looking master planning of the site done with Johnson County assures the residents of Johnson County that this site will not continue to be used for the types of uses that are presently being allowed on the site including a sulfuric acid plant.

While everyone agreed this is a positive development on the rational development and planning of the site, and that it extracts a large amount of public benefit, it does so at a significant cost to the company.

All of these factors taken together have created a need to readjust our financial modeling and ask for an extension from twenty years to thirty years in the use of Star Bonds and an increase of 1% in the sales tax imposed only on the project district which encompasses the 9,000 acres on the Sunflower site.

These types of user fees are typical in large mass attendance projects like this. Examples include an increase in the sales tax by Hamilton County, Ohio to build the new Bengals stadium, and a restaurant and hotel occupancy tax in the district effected to finance the McCormick Convention Center in Chicago.

I would like to emphasize that no tax is being asked to be imposed on any area outside the Sunflower site and we are only asking for the flexibility to have these people visiting the Sunflower site and taking advantage of the facilities to help pay for the development of those facilities.



**Economic Development and the Oz Project**  
Blake Schreck, CED  
President, Olathe Area Chamber of Commerce  
Tuesday, February 16, 1999

**House ED Committee**

- Economic Ripple Effect**
  
- Marketing Potential**  
Process  
Product
  
- K-10, K-7 and Western Johnson County**  
Catalytic Effect
  
- Tourism**
  
- Technology**  
Tech Transfer
  
- Image**

*Economic Development*  
*2-16-99*  
*Attachment B*



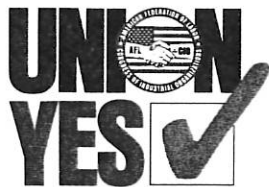
# Kansas AFL-CIO

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President  
**Ron Eldridge**

Executive Secretary  
Treasurer  
**Jim DeHoff**

Executive Vice  
President  
**Wayne Maichel**

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Gary Russell  
Debbie Snow  
Betty Vines*



Testimony Presented to: Kansas House Economic Development Committee  
By: Jim DeHoff, Executive Secretary Treasurer, Kansas AFL CIO

HB 2166  
February 16, 1999

Mr. Chairman and Members of the Committee,

My name is Jim DeHoff, Executive Secretary Treasurer of the Kansas AFL CIO.

I appear today on behalf of the 100,000 members that I represent, to urge your support of HB2166.

For the past several years, Kansas has experienced a very good economy. Our members have been virtually assured of good paying jobs. We are consistently upgrading our training, plus training new workers for the future.

In order to maintain good paying jobs in Kansas we work very hard to support and encourage new business to locate in Kansas. We feel that the Land of Oz Project will allow Kansas workers to continue to have jobs in the future to support their families.

The first phase of the 618 million dollar project will include the Land of Oz Theme Park, 320 room hotel and a golf course. This is a very large project and will provide approximately 2,204 new construction jobs in the State in Kansas, for the construction period ending memorial day 2002.

On completion of the project, there will be numerous jobs to maintain and run the facilities.. The economic impact for the Land of Oz Project will add a lot to the Kansas economy. Passage of HB 2166 will help make this project a reality.

We respectfully urge you to support HB 2166.

Thank you.

Economic Development  
2-16-99  
Attachment 9



Bob Marcusse  
Kansas City Area Development Council  
2/16/99

Wonderful World of OZ  
Review of MARC Economic Impact Study

Consider what it would be like if both the Kansas City Royals and the Kansas City Chiefs located on the Kansas side of the state line. In a nutshell, the OZ project would have the equivalent economic impact of the two professional sports teams combined.

I want to briefly summarize for you the findings of a detailed Economic Impact study of the Wonderful World of OZ Theme Park and the Emerald Resort Hotel as was prepared by the Mid-America Regional Council.

MARC updated this study less than a year ago.

MARC's economic impact studies are very well respected and, in our estimation, are extremely reliable. Net economic benefits to metropolitan Kansas City are measured by the amount of jobs, gross regional product (GRP) and income the region enjoys over and above what it otherwise would have been likely to attain. Use of the GRP, rather than *output* as in most economic analysis, provides a conservative measure of the dollar value of the project. **GRP only counts the increase in value added by area businesses and workers as a result of the project.**

The six steps MARC used in determining the findings were to:

- Estimate the construction impact;
- Add the impact of operating the theme park and hotel;
- Subtract the impact of spending by local residents (dollars that used to be spent elsewhere in the local economy are now spent at the OZ project);
- Add the impact of tourism;
- Subtract tourist demand already counted in theme park operations; and
- Subtract the public cost of financing the project (Paying off bonds out of future sales tax receipts may not appear to be a cost at all, as this is revenue the state of Kansas and local governments would never have had without the project.)

MARC based its study on the OZ project being valued at \$585 million and that the quality be equal to the Disney theme parks.

Economic Development  
2-16-1999  
Attachment 10-1

Overall, MARC estimates the Wonderful World of OZ theme park will, on an annual average over a 13-year period:

- Add 7,500 jobs
- Add \$237 million in gross regional product; and
- Add \$202 million in income to metropolitan Kansas City's economy.

This, as I said earlier, is roughly equivalent to the combined impact of the Kansas City Royals and the Kansas City Chiefs.

Not all benefits are quantifiable, but that does not make them any less real. These unmeasurable benefits as noted by MARC include:

- Built as proposed, this project will draw heavily on state-of-the-art electronics and computer animation and visualization in order to create the illusion of OZ in Kansas. If the theme park is as successful as feasibility studies indicate, it will create a sustained demand for this new technology.
- MARC assumes most of this new technology will be imported to the regional economy. These technologies improve metropolitan Kansas City's ability to compete for the rapidly growing global demand for advanced technology. Such spin-offs would add even further to the region's growth potential.
- The addition of a world-class theme park will likely improve the region's convention business.



## THE OZ ENTERTAINMENT COMPANY ("OEC") KEY FACTS

- ◆ OEC consists of the following six operating units:
  - The Wonderful World of OZ Theme Park: admissions, sponsors, special events, merchandise, parking, food and beverage
  - OZ Resorts: the Emerald Resort hotel, conference center, championship golf course, RV park, campgrounds and other hotels/golf course;
  - OZ Consumer Products: worldwide licensing, OZ Club and direct marketing;
  - Heartland Development; master site planning, water park, western town and studio tour;
  - Wizard Works: creative design management, attraction design, overall theme and design and international joint ventures; and,
  - OZ Digital Media; interactive attraction design, digital character design, park simulation, MIS system design, OZ on the Web education media and children's live/animated TV
- ◆ Current OEC headquarters are in Los Angeles, California, with plans to move to Kansas after groundbreaking
- ◆ The Wonderful World of OZ Theme Park will be based on the legendary MGM film *The Wizard of Oz*, the book *The Wonderful Wizard of Oz*, written by L. Frank Baum, and 40-official OZ books by Baum and other OZ writers.
- ◆ The first phase of The Wonderful World of OZ will include a 50-acre theme park, with approximately 40 unique rides, shows and attractions, 13 game and arcade locations, 14 food service locations, 150 acres of parking and more than 35 retail areas. In addition to the theme park, the first phase will also include the Emerald Resort, a 350 room four-star hotel.
- ◆ First year attendance is estimated at 3.2 million visitors.
- ◆ Initial days of operation will be 185 days a year
- ◆ The Wonderful World of OZ will have five interrelated theme areas, including *Old Kansas*, *Munchkinland*, *Yellow Brick Country*, *The Emerald City* and *The Haunted Forest*
- ◆ According to the Mid-America Regional Council (MARC), OEC will create approximately 7,500 jobs and increase gross regional product by \$240 million per year each year for 13 years from the date of groundbreaking. MARC estimates the project will have a financial impact equal to the equivalent of the Kansas City Chiefs and the Kansas City Royals combined.





- ◆ The Project will be financed through approximately \$440 million from private investors, \$270 million in STAR Bonds issued by the State of Kansas, and \$20 million in grants.

#### KEY EXECUTIVES

- ◆ Robert Kory, Chairman and CEO of OEC
- ◆ Ron Bension, Vice Chairman, President and Chief Operating Officer of OEC
- ◆ Dan Mapes, Chief Technology Officer of OEC
- ◆ Skip Palmer, Vice President, Attractions of OEC



## Questions and Answers

### **Q: Who owns The OZ Entertainment Company?**

A: The OZ Entertainment Company ("OEC") is a privately held company owned by management, strategic investors including many local Kansas City companies, and Wall Street investors.

### **Q: Who is financing The OZ Entertainment Company?**

A: Buttonwood Capital, an L.A.-based merchant bank, is OEC's principal financial advisor. Salomon Smith Barney, the worldwide leader in project financing for projects such as The Wonderful World of OZ, is OEC's lead investment banker and underwriter.

### **Q: Who runs The OZ Entertainment Company?**

A: The company executives are as follows:

- ◆ Robert Kory – Founder, Chairman and CEO
- ◆ Ron Bension – Vice Chairman, COO and President
- ◆ Dan Mapes – Chief Technology Officer
- ◆ Skip Palmer – Vice President, Attractions
- ◆ Wendy Heimann-Nunes – Vice President, Legal and Business Affairs
- ◆ William McKenzie – Treasurer
- ◆ Fred Ulrich – Director
- ◆ Curtice Cornell – Director
- ◆ Christine Baum – Manager, Corporate Communications

The company is growing rapidly and is significantly expanding the management team over the next 12 months.

### **Q: How is funding for the construction of the theme park and resort being financed?**

A: Construction funding will be financed through approximately \$440 million from private investors, \$270 million in STAR Bonds issued by the State of Kansas, and \$20 million in grants.



**Q: What will the theme park be called?**

A: The name of the theme park is "The Wonderful World of OZ". It is part of The Wonderful World of OZ theme park and resort, which will include a hotel and championship golf course.

**Q: How large do you estimate The Wonderful World of OZ theme park and resort to be?**

A: Initially, the theme park will be approximately 50 acres. Parking and services will add 150 acres for a total of 200 acres. The project also will include a 350-room hotel, a 50,000 square foot conference center, an 18-hole championship golf course, and a 600-space recreational vehicle park with a campground. In all, the park and resort will cover approximately 1,500 acres.

The park is projected to be open 185 days each year with first-year attendance estimated at 3.2 million visitors.

**Q: When will construction begin and when will the theme park and resort open?**

A: Groundbreaking is scheduled for August 1999. The grand opening of the park is scheduled for April 2002. Once OEC breaks ground, followers of OZ will be able to log on to the interactive Wonderful World of OZ Internet site to follow the park's construction progress.

**Q: What economic impact will the theme park and resort have in the Kansas City community?**

A: According to the Mid-America Regional Council (MARC), the OZ project will create approximately 7,500 jobs and an increase in gross regional product of \$240 million annually for 13 years. MARC estimates that the project will have a financial impact equal to the equivalent of the Kansas City Chiefs and Kansas City Royals combined.



**Q: How will the theme park utilize the Internet?**

A: OEC will produce a 3-D virtual OZ world created specifically for the Internet and other digital networks that are expected to have high bandwidth access to homes by 2002. Virtual OZ will include a simulation of the theme park incorporating the digital design drawings used to build the theme park. This simulation will link the theme park to participants worldwide. Management can also use this simulation as a tool to enhance the experience of guests at the theme park through delivery of interactive entertainment, crowd control and efficient ride access. The company plans to develop children's programming using Virtual OZ and the theme park as production sets.

**Q: Are there any Kansas companies involved in the Project?**

A: Yes. They include, among many others:

HNTB is the master architect.

JE Dunn and Turner Construction are the general contractors.

Continental Consulting Engineers is the civil engineering firm.

Lockton Company is the insurance advisor.

Shook, Hardy & Bacon, PC is the corporate counsel.

Polsinelli, White, Vardeman & Shalton is the real estate counsel.

Bibb & Associates is an engineering subcontractor.

TranSystems is the transportation consultant.

Corporate Communications Group is the local media advisor.

**The Economic Impact of  
The Wonderful World of Oz  
Theme Park and  
The Emerald Resort Hotel**

**EXECUTIVE SUMMARY**

**Prepared for Johnson County, Kansas, updating a report  
previously prepared for Kansas City, Kansas**

**Mid-America Regional Council  
300 Rivergate Center 600 Broadway  
Kansas City, Missouri 64105  
816/474-4240**

**April 1998**



## Introduction

OZ Entertainment, Inc. has proposed building The Wonderful World Of OZ Theme Park and Emerald Resort hotel in either western Wyandotte County adjacent to the NASCAR race track or in western Johnson County at the former Sunflower Army Ammunition Plant. The project is valued at \$585 million, which would be a significant investment in the recreation industry for metropolitan Kansas City.

The feasibility of this project depends on attendance, and attendance depends primarily on two factors: 1) overall tourism market size, and 2) the quality of the theme park and resort. The project quality determines both the proportion of the existing market the theme park can attract and the number of new tourists the theme park and hotel can induce to visit metropolitan Kansas City. In recognition of this fact, the guiding design criteria of the project is that the quality be equal to the Disney theme parks.

To estimate the feasibility of the project, OZ Resorts and Entertainment, Inc. hired several consultants. The first feasibility studies were completed by 1992, when the park was first proposed. Landmark Entertainment Group prepared the theme park master plan. Based on the proposed concept, the Harrison Price Company prepared the initial theme park feasibility analysis. The initial theme park cost estimate was performed by David Holtz. Ellerbe Becket provided the theme park architectural design as well as the land use planning. Management Resources designed the theme park marketing and theme park operations. The hotel concept and operations analysis was prepared by Destination Properties, Inc. Hospitality Valuation Services prepared the hotel economic feasibility analysis. Hotel cost estimating was prepared by the J.E. Dunn company.

Since 1992, several of the studies have been revised. The attendance projections were reviewed and modified by Economics Research in 1995. Management Resources also prepared an independent estimate of theme park attendance in 1995. The Harrison Price Company updated its attendance estimates in 1995 and again in 1996. An improved financial model for the theme park and hotel was prepared by Bannon and Co., Inc in 1994. OZ Entertainment's final estimates of attendance and revenue combined and extended the projections of the various consultants. These were prepared in 1997 and provided to MARC in February/March 1998. All of the studies have projected attendance to be in the range of 2.5 to 3.2 million annually.

The estimates of economic impact contained in this report mark the third revision of figures generated by MARC. The 1992 feasibility studies were used to generate a draft report to Kansas City, Kansas, in February 1993. This report was not finalized, however.

In 1995, at the request of OZ Entertainment, data from the Bannon financial model was employed to do a detailed impact analysis, but no report was requested or published at the time.

This report publishes the results of the detailed 1995 impact analysis, then modifies the results to account for the latest projections of project construction cost, gross revenue and attendance by OZ Entertainment.

MARC has significant expertise conducting economic impact analyses. Previous studies have estimated the economic impact of the Kansas City Chiefs and Kansas City Royals, metropolitan Kansas City's arts and amenities, World Cup Soccer, expanding Bartle Hall and building a convention hotel, constructing and operating a new aircraft assembly plant and expanding the Kansas City Zoo.

However, MARC does not have sufficient information to evaluate the accuracy of the cost and feasibility studies. Also, MARC did not analyze what impact the Wonderful World of OZ Theme Park would have on specific alternative attractions such as Worlds of Fun.

This study was prepared with care using generally accepted procedures. It is intended to help local and state governments measure their response to the project proposal and plan for the expected economic impact. However, this analysis only assesses aggregate economic impacts on employment, income and gross regional product. It does not provide a detailed analysis of the project's expected impact on tax revenue, infrastructure demands, or public service needs.

As with all studies of this type, the estimated economic impact is essentially a forecast highly dependent upon the study assumptions. Though every attempt was made to make the assumptions conservatively, the future is inherently unpredictable. It is likely that some assumptions will not hold and unexpected events will occur. Therefore, actual results may vary from those estimated here.

## **The Economic Impact Estimates**

### **Basic Methodology**

The 1992 market feasibility studies provided the basic information needed to estimate economic impact. This information includes: construction cost and timing, expected total theme park revenue, expected theme park attendance from inside and outside the metropolitan area and the value of proposed development incentives. The information from the feasibility studies was captured in the Bannon financial model, which served as the primary input into the 1995 detailed economic impact analysis.

The economic impact of the Wonderful World of OZ project was analyzed using MARC's regional economic model, which was developed by Regional Economic Models, Inc. (The REMI model is described in more detail below.) To calculate benefits, the REMI model is run twice. First, a baseline forecast is created, which represents the likely state of the Kansas City area economy without the infusion of economic activity caused by opening a new theme park and hotel. Then the data describing the level of economic activity expected to be generated by the project is input into the model, which is then rerun to simulate the project's impact on the local economy. The difference between the simulation and the baseline forecast represents the economic benefit attributable to the Wonderful World of OZ theme park and Emerald Resort hotel.

The goal of an economic impact study is to calculate net, rather than gross, benefits. Therefore, great care is taken to avoid attributing to the project economic benefits actually generated elsewhere in the economy. For instance, the income spent by local patrons at the theme park would still be available to the metropolitan economy even if the theme park didn't exist. That income was earned at other local businesses and is not dependent upon the theme park. The economic impact of local patron expenditures cannot, then, be attributed to the theme park. Only the increment in economic activity that is somehow new to the metropolitan area is counted in the estimates of the project's net economic impact.

Additionally, the impact of any locally borne costs of acquiring the theme park and hotel are subtracted before reporting its net economic benefits. This is because development incentives offered by local governments, such as tax increment financing (TIF), diminish the project's economic impact compared to a similar project acquired without forgoing some portion of future taxes.

For example, if the project were completely privately financed, the entire amount of tax revenue generated by the project would be available for government spending on roads, police, schools, and so on. While diverting future tax revenue to pay for the project may make the project possible, it still must be distinguished from the case where the developer pays for everything without public involvement. To capture this distinction, the cost to the region of any incentives is subtracted from the estimates of the project's economic benefit.

Net economic benefits to metropolitan Kansas City are measured by the amount of jobs, gross regional product (GRP) and income the region enjoys over and above what it otherwise would have been likely to attain. The use of GRP, rather than output as in most economic impact analyses, provides a conservative measure of the dollar value of the project. GRP only counts the increase in value added by area businesses and workers as a result of the project. Output, on the other hand, is essentially equivalent to sales and so includes the full value of purchases from outside the region in addition to the value added locally.

Metropolitan Kansas City is defined as an 11-county area including Johnson, Leavenworth, Miami and Wyandotte Counties in Kansas and Cass, Clay, Clinton, Jackson, Lafayette and Ray Counties in Missouri. The REMI model provides impact estimates for the Kansas and Missouri sides of the region separately as well a combined into a metropolitan area total.

### **Six Steps to Estimating Economic Impact**

In order to carefully estimate economic impacts, the REMI model is run in a step-by-step fashion. At each step, appropriate policy variables are stimulated by the amount that direct spending is expected to increase. The REMI model estimates how the direct spending influences other sectors, enabling the model to simulate the impact of construction, operation, and tourist spending associated with the OZ project. To develop an estimate of *net* impact, the effects of diverting local spending from activities that exist today to the theme park and hotel are also taken into account. Adding together the impacts from each step yields the estimate of total economic impact.

The six steps used to simulate the construction and operation of the OZ project are briefly described below:

***Step 1: Estimate the Construction Impact***

Construction provides an immediate stimulus to the economy, but its effects are temporary. Moreover, a quality economic impact study assesses both where the money for construction came from and where it flows to. Construction financed out of local taxes, for example, simply transfers money from one local sector to another with minimal net benefit. Construction expenditures on materials such as glass, steel and lumber may not provide much local benefit if local producers are not used or don't exist. Fortunately, a good regional economic model such as REMI estimates the demand satisfied locally.

Because we are ultimately interested in the annual average impact over the entire period of construction and operation, average impact during the construction period must be translated into averages over the entire 13-year project period (by letting the construction impact in succeeding years be zero) in order to be correctly added to the succeeding steps.

***Step 2: Add the Impact of Operating the Theme Park and Hotel***

Once construction is complete and the project opens, the long-term impact begins to unfold. The REMI model translates overall project output (which is derived from project revenue) into demand for both labor and goods and services purchased from local businesses. Wages paid to labor create additional economic impact

***Step 3: Subtract the Impact of Spending by Local Residents***

Money spent attending the theme park and hotel by local residents cannot be considered new dollars to the region. Rather, these are dollars that used to be spent elsewhere in the local economy that are now spent at the OZ project. To accurately estimate the economic impact of the OZ project, these dollars from local residents must be subtracted from the figures above.

***Step 4: Add the Impact of Tourism***

Besides adding to attendance, visitors from outside the metropolitan area also spend on food, car rental, lodging, clothing and other items needed to live in metropolitan Kansas City for the duration of their stay. Such tourism spending adds significantly to the project's impact.

***Step 5: Subtract Tourist Demand Already Counted in Theme Park Operations***

When the REMI model adds in tourism expenditures, it includes its own estimate of purchases of food, clothing, film, toys and amusements that have already been included in the estimates of theme park revenue in Step 2 above. Therefore, these purchases must be subtracted from the sum of the economic impacts derived thus far.

### ***Step 6: Subtract the Public Cost of Financing the Project***

The primary method of public support sought by the developer is the ability to issue bonds to be paid off using future sales tax receipts generated by the project. The state of Kansas passed legislation authorizing such sales tax revenue bonds if the OZ project is built in the state.

From an economic development point of view, paying off bonds out of future sales tax receipts may not appear to be a cost at all. After all, this is revenue the state of Kansas and Kansas local governments would never have had without the project.

However, from an economic modeling point of view, diverting future sales tax receipts to pay for project construction is a cost that must be taken into account. This is because all the steps up to now have assumed the money to finance the project came entirely from outside the region and that future sales (and all other) taxes would be spent on the normal services that state and local governments provide. Diverting the money to pay for construction of the OZ project means the REMI model must be told not to spend as much as it would have otherwise on those services on the Kansas side of the region.

### **Results**

The original economic impact estimates were prepared in 1995. At that time, construction was expected to begin in 1995 and the theme park and hotel were expected to open in 1998. Theme park and hotel operations data provided to MARC extended to 2007. Consequently, MARC prepared estimates of the annual average economic impact over the entire 13-year period, 1995-2007.

In early 1998, the developer provided to MARC revised estimates of the project direct expenditures. Because the REMI model behaves fairly linearly – i.e., an expenditure of \$100 million has approximately the ten times the impact of a \$10 million expenditure – MARC chose not to rerun the REMI model in light of the new data. Instead, MARC factored up or down each of the six steps described above based on the changes in direct project expenditures provided. (Those desiring to understand how each adjustment factor was derived should consult the full report).

Construction is now expected to begin in late 1998 with the theme park and hotel opening in 2001. To be consistent, MARC's estimates of economic impact continue to be annual averages over 13-year period, which now extends to 2010.

Overall, MARC estimates the Wonderful World of OZ theme park and Emerald Resort Hotel will add 7,500 jobs, \$237 million in gross regional product, and \$202 million in income to metropolitan Kansas City's economy. This is roughly equivalent to the combined impact of the Kansas City Royals and Kansas City Chiefs. The original 1995 economic impact estimates and their adjustment in light of updated information in 1998 are summarized in Table 1.



**TABLE 1**  
**Economic Impact of the OZ Project on Metropolitan Kansas City**  
(annual averages in millions of 1998 dollars)

1995 Economic Impact Estimates						1998 Adjusted Economic Impact Estimates					
Step 1: Impact of Construction During Construction Period, 1995-1998						Impact of Construction During Construction Period, 1998-2001					
						<i>Adjustment Factor:</i>	<i>1.4101</i>				
Region	Jobs	GRP	Income	After-tax Income		Region	Jobs	GRP	Income	After-tax Income	
Kansas	1,303	\$79.9	\$43.4	\$36.5		Kansas	1,837	\$112.7	\$61.2	\$51.5	
Missouri	260	\$15.8	\$8.7	\$7.4		Missouri	366	\$22.3	\$12.2	\$10.4	
Metro	1,563	\$95.7	\$52.1	\$43.9		Metro	2,204	\$134.9	\$73.4	\$61.9	
Step 1a: Impact of Construction During Project Period, 1995-2007						Impact of Construction During Project Period, 1998-2010					
						<i>Adjustment Factor:</i>	<i>1.4101</i>				
Region	Jobs	GRP	Income	After-tax Income		Region	Jobs	GRP	Income	After-tax Income	
Kansas	401	\$24.6	\$13.4	\$11.2		Kansas	565	\$34.7	\$18.8	\$15.8	
Missouri	80	\$4.9	\$2.7	\$2.3		Missouri	113	\$6.8	\$3.8	\$3.2	
Metro	481	\$29.4	\$16.0	\$13.5		Metro	678	\$41.5	\$22.6	\$19.0	
Step 2: Add Impact of Revenue from Park & Hotel Operations, 1995-2007						Add Impact of Revenue from Park & Hotel Operations, 1998-2010					
						<i>Adjustment Factor:</i>	<i>0.9936</i>				
Region	Jobs	GRP	Income	After-tax Income		Region	Jobs	GRP	Income	After-tax Income	
Kansas	5,656	\$153.8	\$136.5	\$115.5		Kansas	5,619	\$152.8	\$135.7	\$114.8	
Missouri	440	\$27.4	\$16.3	\$13.9		Missouri	437	\$27.2	\$16.2	\$13.8	
Metro	6,096	\$181.1	\$152.8	\$129.4		Metro	6,057	\$180.0	\$151.8	\$128.6	
Step 3: Subtract Impact of Expenditures by Local Residents 1995-2007						Subtract Impact of Expenditures by Local Residents 1998-2010					
						<i>Adjustment Factor:</i>	<i>1.7038</i>				
Region	Jobs	GRP	Income	After-tax Income		Region	Jobs	GRP	Income	After-tax Income	
Kansas	-372	-\$10.6	-\$8.3	-\$7.0		Kansas	-634	-\$18.1	-\$14.2	-\$12.0	
Missouri	-98	-\$4.0	-\$2.8	-\$2.4		Missouri	-167	-\$6.9	-\$4.8	-\$4.1	
Metro	-470	-\$14.7	-\$11.2	-\$9.4		Metro	-801	-\$25.0	-\$19.0	-\$16.1	
Step 4: Add Impact of Tourism, 1995-2007						Add Impact of Tourism, 1998-2010					
						<i>Adjustment Factor:</i>	<i>1.0074</i>				
Region	Jobs	GRP	Income	After-tax Income		Region	Jobs	GRP	Income	After-tax Income	
Kansas	742	\$24.9	\$24.9	\$21.1		Kansas	747	\$25.1	\$25.1	\$21.3	
Missouri	1,740	\$57.3	\$50.9	\$43.3		Missouri	1,753	\$57.7	\$51.3	\$43.6	
Metro	2,481	\$82.2	\$75.9	\$64.4		Metro	2,500	\$82.8	\$76.4	\$64.9	
Step 5: Subtract Impact of Tourist Expenditures Already Counted In Theme Park Operations, 1995-2007						Subtract Impact of Tourist Expenditures Already Counted In Theme Park Operations, 1998-2010					
						<i>Adjustment Factor:</i>	<i>1.0074</i>				
Region	Jobs	GRP	Income	After-tax Income		Region	Jobs	GRP	Income	After-tax Income	
Kansas	-165	-\$5.7	-\$4.7	-\$4.0		Kansas	-167	-\$5.7	-\$4.7	-\$4.0	
Missouri	-346	-\$11.7	-\$8.4	-\$7.2		Missouri	-348	-\$11.8	-\$8.5	-\$7.2	
Metro	-511	-\$17.4	-\$13.1	-\$11.2		Metro	-515	-\$17.6	-\$13.2	-\$11.2	
Step 6: Subtract Impact of Public Cost to Finance Project, 1995-2007						Subtract Impact of Public Cost to Finance Project, 1995-2007					
						<i>Adjustment Factor:</i>	<i>1.4101</i>				
Region	Jobs	GRP	Income	After-tax Income		Region	Jobs	GRP	Income	After-tax Income	
Kansas	-298	-\$15.4	-\$10.5	-\$8.9		Kansas	-420	-\$21.8	-\$14.7	-\$12.5	
Missouri	-31	-\$2.0	-\$1.1	-\$1.0		Missouri	-44	-\$2.8	-\$1.6	-\$1.4	
Metro	-329	-\$17.4	-\$11.6	-\$9.9		Metro	-464	-\$24.6	-\$16.3	-\$13.9	
Result: Total Average Annual Economic Impact, 1995-2007						Total Average Annual Economic Impact, 1998-2010					
Region	Jobs	GRP	Income	After-tax Income		Region	Jobs	GRP	Income	After-tax Income	
Kansas	5,963	\$171.5	\$151.3	\$128.0		Kansas	5,711	\$166.9	\$145.9	\$123.4	
Missouri	1,785	\$71.8	\$57.5	\$48.9		Missouri	1,743	\$70.2	\$56.3	\$47.9	
Metro	7,748	\$243.2	\$208.8	\$176.9		Metro	7,455	\$237.1	\$202.3	\$171.3	

Source: MARC

## **Unmeasured Costs and Benefits**

Not all costs and benefits are quantifiable, but that does not make them any less real. In addition, other costs and benefits, while theoretically quantifiable, require research beyond the scope of this report to meaningfully assign appropriate values. Nevertheless, these unmeasured costs and benefits need to be factored into any public policy decision or public officials risk being blindsided later by unintended consequences.

The following sections describe the major unmeasured costs and benefits noted by MARC.

### **Unmeasured Economic Benefits**

The REMI model is adept at translating an increase in economic activity in one sector into metropolitan-wide impacts, *given the current structure of the economy*. That is, the estimates above do not allow for any significant change in the region's industries or their purchasing patterns.

If the project is built as proposed, it will draw heavily on state-of-the art electronics and computer animation and visualization in order to create the illusion of OZ in Kansas. The use of such technology make it possible to change a patron's experience of the theme park each time he or she visits, increasing the opportunity for repeat business. If the theme park is as successful as the feasibility studies indicate, it will create a sustained demand for this new technology.

The REMI model currently assumes most of this new technology will be imported to the regional economy. However, economic development efforts and entrepreneurial acumen can result in a greater proportion of the technology being produced locally. In REMI terms, the regional purchase coefficient for high-tech products and services can be increased over time. If it is and these kinds of technologies are purchased locally, they improve metropolitan Kansas City's ability to compete for the rapidly growing global demand for advanced technology. Such spin-offs would add even further to the region's growth potential.

The addition of a world-class theme park will also likely improve the region's convention business, though the degree to which this would occur is uncertain. The synergistic impact between the theme park and conventions is also not included in the economic impact estimates above.

### **Unmeasured Economic Costs**

If the Sunflower site is chosen, significant expenditures will need to be made to clean up any environmental damage and remove any remaining safety hazards from its years as a military munitions manufacturing site. These remediation efforts will need to be made in any event, however, and should not be charged as a cost to the project. Rather, they belong properly to an evaluation of the net benefits of the munitions manufacturing activities.

Aside from public costs incurred to help finance the project directly, off-site costs created by the project have not been deducted from the net benefit calculations. These might include lane additions, interchanges, additional sewer and water capacity and increases in public expenditures on schools, police and fire to accommodate an increased level of economic activity. Such expenditures can be significant.

In an expanding economy, many of these expenditures would occur anyway. The project can be expected to influence the timing and location of public investments, however. This can be a cost or a benefit, depending on the degree to which such changes are consistent with existing plans and investments. At any rate, the impact of altered public investment strategies has not been included in the estimates of net benefit above.

Finally, the project will require many low-wage workers in a suburban, or even ex-urban, location. Most suburban areas are experiencing shortages of low-wage workers already. The theme park will likely exacerbate this problem, although its proposed proximity to the University of Kansas (along either I-70 or K-10) and having a peak season (summer) when school is out will partially compensate for the increased labor demand.

# THE KANSAS CITY STAR

Tuesday, February 9, 1999

## Oz can succeed, investment banker says

By GRACE HOBSON  
The Kansas City Star

A \$600 million World of Oz theme park could not be built without public financing, the project's Salomon Smith Barney investment banker told the Johnson County Commission on Monday.

The partnership between the Oz developers and the Kansas Development Finance Authority is the main reason the investment firm thinks the project can be successful, Ken Becker told commissioners.

The Oz Entertainment Co. is working with the authority to take title to the Sunflower Army Ammu-

nition Plant, where a theme park and resort complex are planned.

The authority plans to buy the 9,065 acres from the federal government and give it to Oz in exchange for the developers' promise to rid the site of environmental hazards.

The authority also may issue \$250 million in bonds to help finance the project. The bonds would be repaid with sales-tax revenue, and the developers are asking the state Legislature to boost the potential income with a one percentage point sales-tax increase on the property.

Salomon Smith Barney agreed last year to sell the bonds for project. After nine months of review by

"professional doubters," Becker said, the firm deemed the project worthy of a "highly confident" letter. He said that told potential investors the firm was sure the project could get built and provide a proper rate of return on the bonds.

The letter is a strong signal that the project is a good one, he said.

"We turn down more projects than we accept," Becker said. "Our name is obviously extremely important to us, and when we indicate we are involved in a project and ultimately end up giving a highly confident letter, that's something we want to be able to make a statement to the marketplace and have

the marketplace be able to depend on the fact that we will be able to get the financing done."

Five factors led the investment bankers to favor the project, Becker said:

- The public-private partnership. Without it, the project would not work in Kansas' climate and would instead have to be situated where the theme park could operate 365 days a year.

- The Oz management team. Becker singled out Chief Executive Officer Robert Kory, an entertainment lawyer who worked to secure the Wizard of Oz rights; Ron Benson, who helped build Universal

Studios projects in Florida, California, Japan and the United Kingdom; and Skip Palmer, a former Disney executive.

- The work by the development authority to transfer the Sunflower land to Oz by April 1.

- The \$17 million that developers raised in seed capital.

- The securing of the Wizard of Oz rights from Time Warner, and Time Warner's agreement to act as the licensing agent for spinoff products developers plan to market.

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# THE OLATHE DAILY NEWS

Friday, February 5, 1999

## County approves Oz plan

**ELVYN J. JONES**  
*Daily News Reporter*

The Johnson County Commission learned Thursday that Oz Entertainment plans to move rapidly on its proposal to build a family entertainment complex at the closed Sunflower Army Ammunition Plant.

In December, Oz Entertainment submitted a redevelopment plan for phase I of its planned development at the plant for the commission's approval. Phase I would include a Disney-like theme park, hotel and golf course. A not-for-profit digital imaging studio would also be planned.

Thursday, the commission approved the redevelopment plan by a vote of 4-0. Commissioner Gary Anderson abstained because of a potential conflict of interest.

In doing so, the commission agreed with a finding by its legal and planning departments. Those departments found the redevelopment plan was "generally consistent and compatible" with the Community in a Park land-use plan developed by the county last spring.

County legal council Don Jarrett said approval of the redevelopment plan in no way authorized specific land uses or permits. Oz Entertainment must next submit a redevelopment agreement to the county, which will spell out specific land uses



**The next 90 to 120 days are pivotal. There won't be any 'next year' in terms of the project.**

— **Larry Winn III**  
attorney for Oz project

and site development.

When Commissioner Johnna Lingle said she hoped a public hearing could be scheduled on the redevelopment agreement "within the next year," Oz Entertainment attorney Larry Winn III said the company had to move faster if the venture was to succeed.

"The next 90 to 120 days are pivotal," Winn said. "There won't be any 'next year' in terms of the project."

He suggested Oz Entertainment would be back before the commission with the development agreement in mid-April.

In approving the redevelopment plan, the commission found that it:

- Minimized influence on surrounding property and included green space and parks along the periphery of the property.

- Provides reasonable assurance for the end of existing uses and the improvement of infrastructure for the property.

- Provides for reasonably integrated land uses and would create comprehensive development.

- Recognizes a community area central to the development.

In other business, the commission moved the planned Johnson County Transit and Operations and Maintenance Facility closer to reality.

The facility, which will be located on 14.2 acres across Old US-56 from the county public works complex, will include three different buildings and a fueling canopy. It will replace a current facility in Lenexa.

The largest building in the planned complex will include a six-bay shop, training rooms, dispatch center and administrative offices.

The federal grant will provide \$5.7 million of the \$8.4 million needed for land acquisition and construction of the facility. The state will provide another \$100,000.

Thursday, the commission authorized the purchase of 14.2 acres from the Howard Hougland Testamentary Trust for \$220,000. Acting as the Johnson County Building Commission, commissioners authorized notice of publication of the issuance of \$2.3 million in revenue bonds to construct the facility.



# THE OLATHE DAILY NEWS

Friday, February 5, 1999

## Oz plan clears another hurdle

ELVYN J. JONES  
Daily News Reporter

Larry Winn III characterized as "a small step for mankind" the Johnson County Commission's approval of Oz Entertainment Co.'s proposed redevelopment plan for the Sunflower Army Ammunition Plant.

### RELATED STORY ON PAGE A6

At Thursday's commission meeting and then in an impromptu news conference in the hallways of the County Administrative Building, Winn said the commission's decision was an "important step" in the process that Oz Entertainment hopes will lead to ground breaking on phase I of the Wonderful World of Oz theme park this fall.

At the same time, the Oz Entertainment attorney continually hedged his

**“The state could have control of Sunflower by mid-April. Then the state would have the private sector, and hopefully Oz could slip into its shoes.”**

**— Larry Winn III**  
attorney for Oz project

comments with the word "if."

Winn said Oz Entertainment has a punch list of more than 500 items that must be in place before the project could be successful.

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# THE OLATHE DAILY NEWS

Friday, February 5, 1999

## Oz project clears another hurdle

● OZ/ from page A1

On the top of that list are ongoing negotiations between the U.S. General Services Agency and the Kansas Development Finance Authority that would enable Oz Entertainment to develop parts of Sunflower.

"The state could have control of Sunflower by mid-April," Winn said. "Then the state would have the private sector, and hopefully Oz could slip into its shoes."

The arrangement being negotiated would have the GSA sell the land to the K DFA, which would, in turn, transfer the property to Oz Entertainment. With that transfer, the K DFA would issue revenue bonds that would allow Oz Entertainment to clean up and develop Sunflower property.

Winn explained the K DFA would be a "nominal issuer" of the bonds, meaning it would not guarantee the bonds estimated to total from \$250 to \$300 million.

Oz Entertainment wants 1,750 acres in the northeast corner of the plant for its Phase I development and about 2,000 acres for future phases of development. But just how much of the closed plant's 9,000-plus acres might be transferred to Oz Entertainment is yet to be determined.

The GSA has invited local governments to request parts of Sunflower for public use. Winn said these "public benefit transfers" could be handled directly through GSA or through Oz

Entertainment once it gains control of the property.

Another priority issue that must be worked out is to manage the cleanup of property contaminated by years of munitions manufacturing at Sunflower. Winn said the estimate to clean up the entire plant is \$60 million to \$70 million.

Written into any property transfer to private-sector interests, including Oz, would be a consent decree, Winn said. That document, which would have the authority of a court order, would spell out the work plan for cleanup, its timetable and the cost.

It is not yet known if the U.S. Environmental Protection Agency or the Kansas Department of Health and Environment would be responsible for enforcing the cleanup, Winn said.

The last priority issue Winn identified involves amending the bill the Kansas Legislature passed last year that spelled out the terms of development on closed federal enclaves, including Sunflower.

Oz has asked the Legislature to extend the term of bonds issued for Sunflower from 20 to 32 years and increase the state sales tax collected by future Oz ventures from 5.9 to 6.9 percent. The sales tax would be dedicated to paying off bonds.

Winn said Oz sought the changes on the advice of the New York City investment management firm of Salomon, Smith and Barney. The two amendments would create a revenue to

debt-service coverage ratio of 1.75 percent.

That kind of coverage ratio would make the bonds much more attractive to investors, Winn said.

"It allows them to be very conservative," he said.

Because of the concerns voiced by Salomon, Smith and Barney, Oz Entertainment will also ask the county for a tax break.

Winn said a development agreement Oz Entertainment will submit to the county this spring will request for tax increment financing. In such an arrangement, all or part of the property tax revenue the county could collect on Oz improvements would be used by the company to retire debt incurred on infrastructure development.

The county commission would have to approve the tax break.

It is unlikely the DeSoto School District would be asked to participate in property tax increment financing, Winn said.

Should the land transfer, environmental cleanup and legislative issues be resolved, Winn said Oz Entertainment could start dealing with remaining issues.

"If the big-bullet items fall in place, the other dominoes should begin to go down," he said.

Winn said Oz Entertainment hoped to start initial earth work on Phase I development in the fall. The target date for opening the theme park is Memorial Day 2002.

# SUN NEWSPAPERS

Friday, February 5, 1999

## Developer says groundbreaking on Oz could begin later this year

**BY REA WILSON**  
SUN CORRESPONDENT

Construction of the new Wonderful World of Oz theme park and entertainment center at the Sunflower Army Ammunition Plant near DeSoto could begin this year, a representative of the Oz developers said Thursday.

Larry Winn III, an attorney rep-

resenting Oz Entertainment Co., told the Board of County Commissioners that developers hoped to start site grading for a proposed golf course this fall.

The first phase of the \$618 million project, which includes an Oz theme park, 320-room hotel and a golf course, is scheduled to open Memorial Day 2002, Winn said.

The project is to be funded

with state-issued bonds and private investment. The bonds will be retired through sales tax collections from the Oz site.

Commissioners formally agreed Thursday that the Sunflower redevelopment plan proposed by Oz Entertainment Co. was generally compatible with the county's comprehensive conceptual plan for the 9,065-acre

site.

The board's action "in no way approves or authorizes any specific project," said Donald Jarrett, chief legal counsel to the commission.

Winn called the commission's vote an "important first step" for the Oz project.

The action taken by commis-

**See OZ, Page 2**

# SUN NEWSPAPERS

Friday, February 5, 1999

## Oz groundbreaking may happen later this year

From Page 1

sioners on Thursday did not address specific areas, such as park land, roads, sewers or other public services required for the site.

Commissioners, apparently thinking the Oz project would travel at a slower pace, asked Winn to conduct public hearings within the next year.

In response, Winn said hearings at the state level would be held within the next 90-120 days.

Decisions by both the federal and state government that will affect the future of Sunflower are expected within weeks, Winn said. These decisions would give Oz developers control of the entire Sunflower site.

"We're asking two pretty large bureaucracies to move quickly, but it is not beyond reason," Winn said.

Before the bulldozers start running, however, dozens of things must fall into place:

- The Kansas Development Finance Authority must create a redevelopment district for the entire Sunflower site and approve a redevelopment plan and agreement which would identify specific projects. These actions are expected by late March or early April.

Oz is initially looking at developing 1,750 acres in the northeast section of Sunflower and ultimately about 3,500 acres. The rest of the land would be leased or sold for other types of development.

Kansas Development Finance Authority would conduct a public hearing on the redevelopment district and plan before granting approval.

- The Kansas Legislature must pass a bill to extend the life of the sales tax revenue bonds from 20 to 32 years. The legislation would also boost the sales tax within the redevelopment district from 5.9 percent to 6.9 percent.

- The Kansas Development Finance Authority must finish negotiations with the federal General Services Administration over the transfer of the land from the federal government to the state. The

state has asked for the entire plant site for state economic development. This transfer is critical to the Oz project, Winn said.

- The Kansas Development Finance Authority and the Kansas Department of Health and Environment must establish an arrangement for an environmental cleanup of the site. Winn said the state would control the remediation process, which will be accomplished in phases over a period of time. Technically, the federal government cannot transfer ownership of the land until it is environmentally clean.

- The General Services Administration must make decisions on whether to directly transfer land to DeSoto, Kansas State University and the Johnson County Park and Recreation District, which have all asked for a slice of the Sunflower site. The land must be cleaned of environmental hazards before the transfer would be complete.

Instead, the General Services Administration could decide to transfer the entire site to the state, which would, through the Oz redevelopment plan, respond to these public land requests. Under this scenario, the private developer — Oz — would be responsible for cleaning up any waste sites, Winn said.

Winn told commissioners that the county should expect to receive significant amounts of park land. On their comprehensive conceptual plan, commissioners had earmarked nearly 6,000 acres of the site for park use.

- In a new twist, Oz developers may ask the county to create a Tax Increment Financing District for the Oz project. The tax abatement would probably be partial and not include the DeSoto School District, Winn said.

- The county will have to approve zoning for the Oz projects. It may also have to adopt new building codes to address theme park structures, Winn said.

# Financial firm likes Oz project

## Financial firm likes Oz project

**ELVYN J. JONES**

*Daily News Reporter*

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The Johnson County Commission learned Monday that the country's largest financial service firm is willing to put its name behind Oz Entertainment's proposed theme park at Sunflower Army Ammunition Plant.

In a presentation to the commission Monday, Ken Becker of Salomon, Smith, Barney reviewed the financing for the proposed project. The firm has extensive experience in financing large projects involving public and private cooperation, Becker said, including the new football stadium in St. Louis and the McCormick Convention Center in

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# THE OLATHE DAILY NEWS

Thursday, February 4, 1999

● **FINANCIAL/** from page A1

Chicago.

He explained that after a nine-month due diligence review, Salomon, Smith, Barney (the largest financial service company in the United States and the third largest in the world) issued a "highly confident" letter on the Oz Entertainment project.

The letter indicates the firm has faith in the venture's viability, believes it offers a reasonable return to investors and is persuaded financing can be arranged.

With the firm's putting its reputation behind the highly confident letter, it was only issued after the project has been examined for weaknesses, Becker said.

"Basically, it's a team of trained doubters looking for what's wrong with a project and why it can't survive," he said.

The skepticism he and other shared about the Oz project was the ability of the theme park to draw the 2 million annual visitors it needs to survive.

"How can you draw Disney-quantity numbers in an area like Kansas City that can't be open 365 days a year? Can a theme park open 185 days a year survive?" Becker asked. "The answer I finally came to was yes. The dominate reason is the public/private partnership."

That partnership starts with the U.S. General Services Agency and Defense Department's willingness to work with the Kansas Development Finance Authority to arrange the transfer of the property to Oz Entertainment. Representatives of all entities are currently trying to negotiate the property transfer.

But, Becker said for the Oz Entertainment project to succeed, the cooperation must also include tax breaks.

"How much should the public be asked to contribute?" Becker asked. "That's a hard question. But it is true in any such discussion, that



**Right now, a TIF isn't in our financial model. However, it is still on the forefront of back of our minds.**

— **Ken Becker**  
*financial expert*

the private sector should give back more than the project takes."

And, citing a Mid-America Regional Council study, Becker said the Oz project would give back a good deal. That study indicated the first phase of Oz Entertainment's development at Sunflower would mean \$240 million annually to the local economy through wages and increased retail activity.

To help with the development of projects that meaningful, it is normal to dedicate a tax collected from the venture's customers to paying off bonds, Becker said. In this case, Oz Entertainment will make use of a bill the Kansas Legislature passed last year, which allows the state to issue STAR Bonds to qualifying projects on closed federal enclaves.

Becker explained Oz Entertainment will ask the KDFA to issue \$250 million in STAR Bonds for the cleanup and development of Sunflower. Sales tax collected on newly opened Oz ventures would be dedicated to paying off the bonds.

However, there is no history to indicate how much revenue the sales tax will earn, Becker said. That explains the bill before the Legislature this year that will extend the length of the bonds from 20 to 30 years and increase the sale

# THE OLATHE DAILY NEWS

Thursday, February 4, 1999

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tax on Oz ventures from 5.9 to 6.9 percent.

It is not yet known if the financial plan will include tax increment financing on property tax, another tax break it could seek through state law.

"Right now, a TIF isn't in our financial model. However, it is still on the forefront of back of our minds," Becker said.

If Oz Entertainment does seek a break on property taxes, it will not come as a surprise to the commission, said Larry Winn III, Oz Entertainment attorney. The tax break would be written into the redevelopment agreement the company submits to the commission.

As overwhelming as the \$250 million in STAR Bonds seems, the lion's share of the project's debt financing would come through the private sector. Becker said the Oz Entertainment plans to finance part of its development through the sale of \$350 million in non-tax exempt bonds.

Those bonds would be either placed with banks or privately through 144(a) bonds, Becker said. The bonds would be "senior" bonds, meaning investors would have first rights to Oz Entertainment's property (including that at Sunflower) and assets.

Finally, Oz Entertainment has raised \$17 million seed money through the sell of common stock, Becker said. It is anticipated the company will raise another \$25 to \$35 million through the same means.

A bond sale is planned for late summer or early fall. That means, he should be back before the commission to review the final financial plan some time from early to mid-summer, Becker said.

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# THE OLATHE DAILY NEWS

Thursday, February 4, 1999

## Oz seeks flexibility for bond repayment

**ELVYN J. JONES**  
*Daily News Reporter*

Most borrowers are presented two options when they take out loans. They can either pay the loans back quickly at higher interest rates or take out long-term loans with lower monthly payments.

The bill introduced in the Kansas House last week would give Oz Entertainment Co. more options on terms of indebtedness. The proposed legislation would allow developers on closed federal enclaves longer periods to repay debt, while increasing the state sales tax dedicated to that repayment.

The bill would amend the legislation passed last year, which enabled the state to issue bonds for development of "statewide importance" at closed fed-

eral enclaves such as the Sunflower Army Ammunition Plant.

The Kansas Development Finance Authority and Oz Entertainment are seeking to arrange the transfer of the plant from the federal government to the Oz group. The K DFA would act as an intermediary in the transfer.

Under terms of the enabling legislation, Oz Entertainment is asking the K DFA to issue \$250 million to \$300 million in revenue bonds for the environmental cleanup and infrastructure improvements at Sunflower. K DFA President Ken Frahm said the exact amount of the bond issue won't be known until Oz Entertainment concludes negotiations with the government over the purchase price for

See OZ, Page A6

## Oz seeks flexibility for bond repayment

● **OZ/** from page A1  
Sunflower.

The bonds would be paid off by a state sales tax on newly created economic activity within closed federal facilities.

The bill introduced last week in the House Taxation Committee would give Oz Entertainment more flexibility in retiring the bonds, said Rep. David Adkins, R-Leawood and chairman of the tax committee. It would lengthen the term of bond repayment from 20 to 32 years, while increasing the amount of state sales taxes dedicated to repaying that debt from 5.9 to 6.9 percent.

"I think they want to keep their options open," Adkins said. "I think they are hoping interest rates in the bond market remain favorable and they can repay the bonds in 20 years."

But Adkins said he understands Salomon Brothers Inc., a New York City investment management firm, has expressed concern to Oz

Entertainment about a 20-year repayment schedule because of the up-front time needed to get Oz ventures open to the public.

Although the bill was introduced in his committee, Adkins said it has been referred to the House Economic Development Committee. Hearings on the bill will probably be scheduled for Feb. 17 when representatives of Salomon Brothers plan to be in Topeka.

Don Jarrett, Johnson County legal council, said Monday the proposed legislation would not change the county's ability to collect the three dedicated parts (bi-state, jail and storm water) of its sales tax.

The Johnson County Commission will decide today whether or not to approve Oz Entertainment's Phase I redevelopment plan for Sunflower. That first stage of construction on 1,700 acres the plant's northeast corner would include a Disney-type theme park, golf course and hotel.