

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Nick Jordan at 8:25 A.M. on March 16, 2005 in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department
Helen Pedigo, Revisor of Statutes
Jackie Lunn, Committee Secretary

Conferees appearing before the committee:

Raymond Irwin, President, Heartland Park
Terry Ozment, Director, Club Racing for Sports Car Club of America
Jim Ludwig, Greater Topeka Chamber of Commerce (Go Topeka)
James McClinton, Mayor of Topeka
Shirley Wishom, Resident of Topeka

Others attending:

See attached list.

Chairperson Jordan opened the meeting by introducing Scott Frank from Post Audit to complete his presentation on the Post Audit Performance Report on STAR bonds. Mr. Frank referred the Committee to the Theater Project on page 36 of the Post Audit Report. Mr. Frank stated the Unified Government told Post Audit that Kansas City, Kansas was the only city of its size without a movie theater. Because its citizens had expressed a desire for a theater, officials told Post Audit they wanted to incorporate a theater within the Village West development adjacent to the Kansas Speedway. Attempts to induce private theater operators to build a theater in this area were unsuccessful. Therefore, the Unified Government decided to build its own theater and have a private company manage the day to day operations.

The building will cost \$20 million to build. Rough estimates provided by theater experts suggested a theater of this size typically costs about \$13 million to \$15 million to construct and equip. The Unified Government stated this is not a typical theater. It will include special amenities, such as spacious seating and a special balcony level where alcoholic beverages will be served.

Because the Unified Government wasn't able to attract a private company to locate the theater in the Village West development district, it has committed to spend \$20 million in STAR bond moneys to build an upscale movie theater itself. That decision has raised questions about the appropriateness of competing with private theaters in the region, the cost and profitability of the theater, the lease-back arrangement that will help Cabela's recoup the cost of building its store, and the management agreement that will give Phoenix Theaters a significant share of the profits without assuming any significant financial risk. These questions again highlight the need for improved State oversight to ensure that the deals being made with STAR bond moneys are allowable and reasonable, and the State's interests are adequately represented.

Upon completion of Mr. Frank's presentation a discussion followed regarding the use of the STAR bond moneys for the Kansas Speedway and the Village West Tourism District. The Committee feels that the STAR bonds were not used appropriately and addressed the need to put a plan in motion for checks and balances to be able to track STAR bond programs and monitor the use of the STAR bonds.

Chairperson Jordan stated that possibly the Committee could put the Post Audit recommendations into the Heartland Park bill. He called the Committee's attention to the balloons on the Heartland Park bill stating he would like for them to take the time to review them before they worked the Heartland Park bill, which would be one day next week.

Chairperson Jordan opened the hearing on **HB 2144** by introducing Raymond Irwin, President, Heartland Park, Topeka to testify as a proponent on the bill. Senator Wysong excused himself from the hearing since his family was involved in the original developing of Heartland Park #1.

Mr. Irwin offered written testimony. (Attachment 1) and gave a brief history on the development of Heartland Park. Mr. Irwin and his family purchased Heartland Park in the spring of 2003 to keep it from

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closing. He stated that Heartland Park Topeka has a proven record of success of being able to create tourism and economic stimulus for Kansas. Now that the track is stable, and the SCCA Runoffs is creating racing industry-wide awareness of Heartland Park, Kansas, and Topeka, a great opportunity awaits us to finally achieve the status of being a World Class Motorsports and Entertainment complex.

In closing Mr. Irwin urged the Committee to support this bill for Heartland Park Topeka.

Upon completion of Mr. Irwin's testimony there was discussion with the Committee regarding the safety issues involved with Motorsports. Mr. Irwin assured the Committee Heartland Park has taken every precaution to make this track a safe place, always improving to meet the future needs for a safe environment for Motorsports. There was also discussion on the costs of the project. Mr. Irwin stated the cost of the project would be \$15 million dollars. He also stated he had placed private money into Heartland Park and would continue to put private money but needed the help of STAR bonds to complete the funding for this project. During the discussion, Mr. Irwin stated the SCCA National Championship Runoffs would be coming to Topeka in 2006. This event will be bringing race drivers, race teams and families, workers, and spectators to Topeka for a 10 day period of time. These people will be spending money in restaurants, shops, and for lodging. This would not just be in Topeka but in surrounding areas. Some of these people will be spending their vacations here. Mr. Irwin made an estimate of 4,000 people coming in for teams with an additional 400 more workers, approximately 750 manufacturers setting up and manning displays, and approximately 10,000 spectators. The discussion continued with Mr. Irwin stating at the end of 50 years when all obligations are paid back Heartland Park will go to Mr. Irwin's family.

Chairperson Jordan introduced Terry Ozment, Director of Club Racing for the Sports Car Club of America (SCCA). Ms. Ozment offered written testimony. ([Attachment 2](#)) Ms. Ozment stated the SCCA chose to relocate in Topeka from Colorado three years ago. They chose Topeka because they viewed the city and state to be proactive in the world of motorsports. They believe the SCCA National Championship Runoffs being held in Topeka beginning in 2006 will have a positive economic impact to the community and support this bill.

Chairperson Jordan introduced Jim Ludwig, Greater Topeka Chamber of Commerce representing the Go Topeka project. Mr. Ludwig offered written testimony. ([Attachment 3](#)) Mr. Ludwig stated racing is big business and brings significant tourism to locations across the nation. The SCCA National Championship Runoff will bring more attention and increased activity to Heartland Park as drivers, their teams and racing-related businesses utilize the track to become more experienced in driving on the championship roadway in the next national runoff. In closing Mr. Ludwig urged the Committee to support **HB 2144**.

Chairperson Jordan introduced the Honorable James McClinton, Mayor of Topeka to give his testimony in support of **HB 2144**. Mayor McClinton offered written testimony. ([Attachment 4](#)) Mayor McClinton stated the provisions of this bill would provide Heartland Park Topeka with some of the financial tools it needs to continue its development into a world-class racing facility. The city and state would benefit greatly from the improvement of Heartland Park Topeka. This facility has annually provided the city and state with significant economic benefits. In closing Mayor McClinton stated **HB 2144** is an opportunity to solidify Kansas as the heart of motor racing. On behalf of the city of Topeka, he urged the Committee to give favorable consideration of this bill.

Chairperson Jordan introduced Shirley Wishom, testifying as an opponent of **HB 2144**. Ms. Wishom offered written testimony. ([Attachment 5](#)) Ms. Wishom voiced her opposition to **HB 2144** stating Mr. Irwin should secure the moneys needed for Heartland Park Topeka from investors and not STAR bonds. She feels that STAR bond money should be left alone unless it is proposed for projects to those in the poorest areas of the state. She urged the Committee to vote in opposition of this bill.

A discussion followed with the Committee and the Mayor. The Mayor stated that the City Council voted unanimously to support this project. He stated that the City Council was made up of representatives from all parts of Topeka. The discussion moved to Heartland Park having more events not just racing. Mr. Ludwig stated he had increased the number of event days by 40 days with plans to increase that even more in the future. The Heartland Park facilities could also be used for events other than racing and is making future plans for that. He realizes the need to have events going on year round at Heartland Park. Senator Brownlee joined the discussion asking Mr. Ludwig if he would have a problem in reporting annually to the Committee revealing their tax information. Mr. Ludwig stated he would not have a problem with that. The discussion

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moved to some of the statements Ms. Wishom made concerning Butch Felker being an employee of Heartland Park. Mr. Ludwig stated that at one time Mr. Felker was head of the Heartland Park Foundation. He was given that position because of his knowledge of Topeka. Mr. Ludwig stated Heartland Park would receive bed tax funds as other projects such as Overland Station would be receiving based on a portion on the Council's estimate is of what they bring into town.

With no further questions or comments on **HB 2144**, Chairperson Brownlee taking the meeting over from Chairperson Jordan during testimony, closed the hearing on **HB 2144**.

The meeting was adjourned at 9:30 a.m. with the next scheduled meeting being tomorrow, March 17, 2005 at 8:00 a.m. in 123S.