

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 8:30 A.M. on January 18, 2006 in Room 123-S of the Capitol.

All members were present except:
Susan Wagle- excused

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

Conferees appearing before the committee:
San Ahlerich, Kansas Inc.

Others attending:
See attached list.

Chairperson Brownlee introduced the Secretary of Commerce, Howard Fricke. Secretary Fricke shared audited numbers received regarding the Village West area. He stated the area receives 10 million visitors annually in a development of 2 million square feet. \$450 million dollars in annual sales, 4, 000 new jobs generating \$52 million in payroll, \$2.8 million in new state income tax, \$7 million in new property tax in 2006, and over \$200 million in new housing construction in Wyandotte County since 2003. Chairperson Brownlee asked if these figures were in print and the Secretary responded that he felt the Unified Government could provide them. Senator Barone asked Secretary Fricke if he had the average, annual compensation. Secretary Fricke responded that he did not have those numbers but with the figures presented could probably do the math. Brownlee asked if the Village West area was subject to the annual audit and Secretary Fricke stated they were and stated the audit is due in October.

Secretary Fricke announced that he recently approved the Schlitterbahn project. He stated the independent marketing survey conducted revealed that the site development would be in excess of \$400 million, the projected gross annual sales volume is projected to be in excess of \$200 million, the project is anticipated to create 3,863 new direct jobs with total wages in excess of \$105 million, 1,722 indirect with projected compensation around \$85 million. The projected visitation is estimated at 3.3 million new visitors annually with approximately 1 million coming from out of state, 415,000 traveling more than 100 miles to visit the attraction. The Schlitterbahn project is privately owned by the Henry family and today the two principal owners are present. Secretary Fricke introduced Jeff Henry to give a presentation on the Schlitterbahn project.

Mr. Jeff Henry introduced his brother Gary Henry to give the presentation. Mr. Gary Henry stated that the company began in 1966. Their parents vision when starting the company was to create a family place for their family to work and live and also to create a resort for families in an atmosphere where family values could be created. Currently Schlitterbahn has attendance close to 1 million per year. The Travel Channel ranks the Schlitterbahn the #8 water park in the country. Jeff's job has always been technology and development while Gary handles the financial aspects of the company. They currently have the original park in New Braunfels, Texas with another one in South Padre Island, Texas. A 3rd park will open shortly in Galveston, Texas using new technology. In early summer Mr. Rick Warner from Kansas City, KS contacted the Henrys asking that they consider Kansas City for a location. At that time, they were in the process of trying to make a deal to in Orlando, Florida to establish their Vacation Village. The concept of the Vacation Village originated from a trip to Europe where Gary encountered Center Parks, a huge village with bike trails, entertainment, unique shops, spas, etc. When considering Kansas, the Henrys discovered there were 54 million people within an eight hour drive of Kansas. A marketing analysis was initiated to

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discover who the people were and who the customers were that are coming to Kansas. The marketing analysis discovered the success of Village West. Their decision to come to Kansas was based on the fact that there was not a lot of competition, STAR Bonds, initiatives from the Governor. After looking at the numbers, the village seemed to have a home in Kansas. Gary stated the State has been unbelievable in their guidance, and the neighboring businesses welcomed their presence as they felt it would bring more business to the area. Ten years ago, 1% of the visitors to the New Braunfels Park were outside the state of Texas. Last year that figure was 17%. The belief is that the Kansas City park will attract visitors from a five state region and further. The park will also generate road and street improvements in neighboring areas, significant utility improvement, and additional interest from other amusement entities.

Senator Jordan asked if Mr. Gary Henry could walk the committee through the year-around aspects of the park and the concept of the park. Mr. Gary Henry stated Phase 1 consists of 300 hotel rooms, 40 tree houses, and 100 cabins, a 4,000 foot river walk similar to the San Antonio River Walk with more of a family attraction. The river walk will have a convertible roof which will open and close; allowing them to operate on a year-round basis. There will be 400,000 feet of retail, and all retailers will be required to have an entertainment-based retail product. Retail operations, hotel operations, and the river walk will be year-round operations. The water park will have a 110 day season generally relating to school schedules which is the same as in Texas. What they are doing differently in Kansas is they will be adding a winter park on top of summer park. The winter park will consist of a snow and ice facility which will have approximately 15 major rides and attractions that will layer on top of the water park portion. One of the rides will be a giant 15-foot snowball. There will be a kiddie area for building snowmen, snowballs, etc. The winter park will also contain ice skating and a whole series of ice skating activities. Mr. Gary Henry stated the water park will only make up 10% of the revenue. The river walk, trails, and sports tracks will be open to everyone with no fee.

Senator Wysong expressed his appreciation for the presentation and the numbers presented and asked how many total acres were purchased. Mr. Gary Henry stated over 300 acres with part of that being from the county fairgrounds. He stated the fairgrounds will remain on the property with a parcel of approximately 40 acres. Senator Wysong inquired about the indebtedness and total budget. Mr. Gary Henry stated the total budget of Phase 1 is about \$450 million, the total STAR Bonds is \$225 million. Phase 2 and 3 are about \$1.2 billion in total spent with about 20% STAR Bonds. Senator Wysong asked the time line for Phase 2 and 3. Mr. Gary Henry stated it would depend on the market. He also stated that all indications are that this project would be accepted and there would be very rapid building of Phase 2 and 3. In Galveston, Texas which is not open as of this date, Phase 2 has been initiated due to the tremendous response from the public. He stated if you look at the revenues and numbers for Village West, the success of the market has doubled and tripled what was anticipated. Phase 2 involves an expansion of the river walk, combinations of 1200 keys to be built, retail could be over a million square feet, and parking for 11,000 cars. Mr. Gary Henry added that about \$30 million of the STAR Bonds is being spent for road improvements that are off site, new entrances from the freeways, massive entrances and exits, sewer improvement, so there is a lot of infrastructure going on with that money.

The Committee stated its concern that the Schlitterbahn would be hurting the present water park. Mr. Gary Henry stated he was with Cedar Fare, the owners of Worlds of Fun. He stated They are a very aggressive company and have the #1 roller coaster park in the world and would welcome the competition. He stated Oceans of Fun is a very old facility which needs improvement dollars spent and he is not sure they are willing to do that. Mr. Gary Henry felt that with new management at Cedar Fare, due to the retirement of their chairman, you would see a big resort area there as well.

Mr. Henry was asked the average stay in the winter in their 350 hotel rooms as well as summer. He stated in New Braunfels they were less than 2 day stays, people come and go very quickly. Vacation

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patterns in America have changed—when first established, people stayed anywhere from seven days to two weeks. Now people take mini-vacations of a couple days and then move on. It is all about creating a destination where there are many things for people to do and this location offers that variety.

Mr. Gary Henry was asked to illustrate the retail concept for the river walk. He responded saying it was what they called "festival retail", a community-based retail where smaller retailers, local operators and a family friendly atmosphere. Attempts are made to keep the national retail operations off the River Walk in order to get the home-owned operators into the facility.

Senator Barone inquired about STAR Bonds. \$225 million is about half the investment and is that the anticipated total. He noted that Phase 2 and 3 did not address STAR Bonds and that issue had not been addressed. Would they ask for more STAR Bonds? Mr. Gary Henry stated they probably would if they thought they could.

When asked what it would cost for a family, Mr. Henry said an all day pass for an adult would be about \$31.00, a child would be \$17-\$18 per day in the top water parks around the country. When averaged out the cost is approximately \$20 per person. The average length of stay per guest is 7 hours. Historically you can take a movie ticket and multiply it by 3.5 to 4 and whatever people are willing to pay for a movie, they will pay that for a good park. They think there will be some increases across the nation due to the cost of living and oil prices. Over ½ of their expenses are labor related.

Senator Barone said that using the numbers that Secretary Fricke provided, a \$27,000 average annual payroll surprises him due to the number of part-time positions. He asked if that was the average annual payroll per employee. Mr. Henry responded that at this facility it probably would be. It was pointed out that the water park only represented 10% of the business, the rest are year-around. Senator Barone stated that the project should easily attract people and reminded them that he was a strong proponent for people to make a good living. Mr. Henry told the committee that all their employees also received medical benefits.

Senator Reitz asked where they were getting their water. Mr. Gary Henry said it was coming from the public utility. They are very water conservative company. Loss is relative to two things, leakage and evaporation which typically occurs at the rate of 1-2 ½ percent per day. The utility has assured them that they have excess water available from the Missouri and Kansas Rivers. There is a transmission line already that is near or very near the premises.

Senator Kelly asked if they had any plans for another vacation facility anywhere else in the country right now. Mr. Gary Henry responded that they are talking to other locations right now around the country. They have negotiated a rather detailed document with Unified Government of Wyandotte County and within that document there is an exclusive; a ring around Kansas City which prohibits them from building anything within a 300 mile radius. Senator Kelly also asked why this was not named the Henry Vacation Village, where did Schlitterbahn come from? Mr. Gary Henry stated his father named the Village, and Schlitterbahn means slippery road. They wanted something different, that no one else would copy, spell, or be confused as to what product they offered.

Senator Brownlee asked what the attendance figures were for New Braunfels and Padre Island. New Braunfels is just shy of one million per year, depending on the weather, and Padre Island is 260,000. The projection figure for Kansas City is 3.3 million per year but not just the water park, it includes the river walk, hotels, etc. Hotel figures are not included in the New Braunfels figure. Mr. Gary Henry stated that eminent domain will not be used to acquire any of the land. Asked if the BPU was requiring that the facility be totally electric, the response was yes except for kitchens and they are going to negotiate with them about heating water as well.

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Senator Brownlee thanked the Henry's for their presentation. The meeting adjourned at 9:30 a.m. The next meeting was scheduled for Thursday, January 19, 2006 at 8:00 a.m. in Room 123-S.