

MANHATTAN DOWNTOWN REDEVELOPMENT DISTRICT

**FLINT HILLS DISCOVERY CENTER**

**STAR BOND APPLICATION**



**PREPARED FOR:  
HOWARD FRICKE  
SECRETARY OF COMMERCE**

**PRESENTED BY:  
City of Manhattan, Kansas**

**Date of Submission:  
August 17, 2006**



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## **I. Executive Summary**

The City of Manhattan, Kansas is pleased to present this STAR Bond application to the State of Kansas and the Department of Commerce for the Flint Hills Discovery Center and South Redevelopment Entertainment Area (South Area). The Discovery Center and the South Area will improve the tourism in Manhattan and in the State of Kansas. It will also add to the experience of those already visiting Manhattan for events surrounding Kansas State University, Fort Riley, and many other attractions in Manhattan. Celebrating the history, culture, heritage and natural surroundings of the Flint Hills and the Tall Grass Prairie will be the focus of the Discovery Center, attracting visitor's throughout the country to visit, experience and participate in Manhattan and Northeast Kansas.

This application is a request from the City of Manhattan to the Secretary of Commerce to approve \$41 million in STAR bonds for the proposed Flint Hills Discovery Center.

The Flint Hills Discovery Center is an \$18 million destination facility. The Discovery Center is being built as part of a South Redevelopment Entertainment Area. The South Area consists of a 120 room hotel, a 30,000 square foot conference center, a 400 car parking garage, 40,000 square foot theater, restaurants, commercial and residential mixed-use building, and a one acre public park. The entire South Area and Discovery Center project is budgeted at \$90 million.

The proposed financial structure includes approximately \$41 million of STAR bond financing, which reflects 46% of the total \$90 million in project costs. Additional funds will be raised through a capital campaign involving the City of Manhattan, local citizens, foundations, state grants, federal grants and corporations. The reader should note that the percentages of fund sources should remain approximately the same, however, the actual dollar amounts will likely change slightly as the project progresses.

The City of Manhattan has prepared the following application highlighting the eligibility requirements for STAR bonds. Representatives from Manhattan have met with the Secretary of Commerce and the Department of Commerce staff on several occasions to discuss this project, to gain general feedback and to make sure this project meets all the requirements as defined in K.A.R. 110-9.

The Flint Hills Discovery Center would serve as a regional centerpiece for travel and tourism. The Center will be a place where a local resident or visitor can learn more about the settlement of Manhattan, Sunset Zoo, the Konza Prairie, Tuttle Creek Lake, Kansas State University, and other local attractions. It would also facilitate information about the history and culture of the Prairie, the Kansas River, Fort Riley, the Oz Museum, and other destinations in Northeast / East central Kansas.



It is important to note that the City of Manhattan and Dial Realty Corporation, of Omaha, Nebraska have partnered to redevelop the Downtown Area. The Downtown Area has been split up into two phases consisting of a North Area and a South Area. Although they are split in terms of phases, they are both within the same Tax Increment Finance (TIF) District established in November of 2005. The North Area Redevelopment consists of 250,000 square feet of commercial and retail space, and 235,000 square feet of residential or approximately 200 new living units. The North Area will generate significant State sales tax for the South Area. The North Area is currently under construction, with Dial poised to invest \$50 million in construction, and \$25 million in Special Revenue Bonds have already been authorized for land and public infrastructure for this project area.

The third party Feasibility Study conducted by Canyon Research found that the Flint Hills Discovery Center STAR Bond Taxing District will generate more than enough sales tax revenue over the life of the bonds to support the proposed \$41,000,000 STAR bond issue.

Throughout the statutory 20-year STAR bond maturity period the tax revenues generated the Downtown Manhattan Redevelopment District are estimated at approximately \$167 million. The forecast tax revenue streams are sufficient to fully satisfy approximately \$61 million in bond debt amortized over a 20-year term at a 6.5 percent interest rate. This bond debt is comprised of both the North Area (approximately \$20 million), and the \$41 million debt associated with the STAR bond project in the South Area. Therefore, the *Feasibility Analysis* concluded that the Downtown Manhattan Redevelopment District is forecast to generate sufficient tax revenues to cover the anticipated debt service obligations for the requested STAR bond financing.

The Downtown Manhattan Redevelopment District is designed to serve as central Kansas' premier tourism attraction, anchored by cultural and educational facilities and complemented by a mix of entertainment, dining, and specialty shopping venues. No other commercial district in the region compares. Given the unique market positioning, association with the Flint Hills Discovery Center and the impact of the visitor and tourist markets, the Downtown Manhattan Redevelopment District will serve as a regional and multi-state destination.



## **II. Project Overview**

### **A. Description of the Project**

The City of Manhattan has solicited considerable public and professional involvement throughout the planning process of the Downtown Redevelopment Conceptual Plan. A Steering Committee and an Attractions Committee, each appointed by the City Commission, and made up of several community leaders and interested citizens, set out to define the vision of the redevelopment project and the specific attraction to complete the district. As a result of this effort, a formal Conceptual Master Plan (The Plan) and a Flint Hills Discovery Center has been identified. Implementation of The Plan is already underway with the construction of a 30,000 square foot Best Buy in the North Area, set to open in October of 2006. Another 200,000 square feet of retail and restaurants are expected to be under construction in 2007 and 2008, along with 200 new residential units. Conceptually the Flint Hills Discovery Center would house several exhibits detailing the experience in the Flint Hills and the Tall Grass Prairie, including the traveling Smithsonian exhibit “Listening to the Prairie,” which traveled the nation and is currently at the Smithsonian in Washington, D.C. Other exhibits would highlight the historical and cultural aspects of the Flint Hills region, including but not limited to the Native Americans, early settlers to Kansas and Fort Riley, the Konza Prairie, and the establishment of the City of Manhattan and Kansas State University. Interactive components have also been identified by the Committee that include features for children and adults to enjoy. Exhibits depicting the natural landscape, amazing views and vistas, wildflowers, roaming buffalo, early settlements, ranching and farming, and native animals. Exhibits and educational components will also include the scientific research conducted by NASA regarding the ecosystem associated with the grasslands. Aquariums will also be on display highlighting the native fish, reptiles and amphibians in the Flint Hills and the adjacent Kansas River. The facility will also include a nature center with an educational forum for children and hands-on learning. The Flint Hills Discovery Center would also include a regional tourism center for the Kansas destination visitor. Local and regional attractions would be highlighted in the facility, along with travel and tourism information provided for each attraction.

The Flint Hills Discovery Center can draw on the commitment of the Kansas Travel and Tourism Development Division to further research, develop, and promote the Flint Hills Region as a unique natural resource tourism destination for the state of Kansas. There is a strong relationship between the Flint Hills and the current hot tourism topic of “sustainable tourism” that includes the natural environment (tourism products such as ecotourism, agritourism, adventure tourism, rural tourism, and geotourism) and the built environment (tourism products related to history, heritage, culture, arts, and unique structures). Identified opportunities in the Manhattan area currently include scenic highway tours, native grassland preserve eco-tours, hunting, bird watching, hiking, camping locations, historic areas, cultural sites, sports, Native American culture, fishing,



golf courses, parks, rivers, panoramic picturesque views, shopping centers, university programs, forts, pioneer history, events, museums, and more. The proposed Flint Hills Discovery Center will be sited in an appropriate location – near the Flint Hills – for presenting a unique museum that would house both static and interactive exhibits showcasing several characteristics of the prairie, including the natural ecosystem, wildlife, weather, history, heritage, Native American culture, and the geography of the terrain. The synergism of the Flint Hills area and the Center would draw on each other and would produce substantial additional visitation to the area.

The Center, as planned for Manhattan, Kansas, is broader in concept than that held in the traditional view of a museum, but it certainly does fit the literal definition of a museum. The International Council of Museums defines a museum as “.....a non-profit making, permanent institution, in the service of society and its development, and open to the public, which acquires, conserves, researches, communicates and exhibits, for the purpose of study, education and enjoyment, material evidence of man and his environment”. The Center would have as a focal point a representative viewpoint of the broad spectrum of the “prairie” of yesterday, today, and tomorrow, inclusive of the history, heritage, and culture of the City of Manhattan, Riley County, and nearby environs.

The proposed Flint Hills Discovery Center is 30,000 square feet of usable space. The footprint of the building is 18,000 square feet, with three tiers or floors of exhibit space. The City has been in contact with the Smithsonian Institution in Washington, D.C. about the Flint Hills Discovery Center becoming an affiliate museum. The City has also discussed exhibit design with a few firms and received a presentation from Hilferty & Associates, who are currently designing exhibits for the Frontier Trails Museum in Independence, Missouri. It is estimated the Center will take approximately two years to adequately design internally. We plan to use this time to also design the exterior of the structure. We envision the exterior of this structure to be as much of the attraction, as the interior components. Initial thoughts and discussion have centered on incorporating the natural components of the Flint Hills in the design and façade of the actual building, including the prairie grass, limestone, native flowers and natural springs.

The remainder of the South Area consists of a 120 room hotel, 30,000 sq. ft. conference center, 10 screen movie theater, parking garage, restaurants, public green space and a mixed-use residential and commercial building. The hotel is envisioned to be a “Hilton Garden Inn” or “Courtyard by Marriott”. The conference center is a local project with financing to come from the City of Manhattan. The City and Dial are currently working on an agreement where the City would build the facility, and Dial would operate and maintain the structure, in concurrence with the hotel operations. Dial is also proposing a total of three restaurants, including one within the hotel. A Kansas State University Hall of Fame restaurant has been discussed as the potential restaurant within the hotel. A parking garage has been proposed to fulfill the parking requirements for the Flint Hills



Discovery Center and the entire South Area. The garage is necessary to keep the urban environment within the project, eliminating the mass number of surface parking spaces that would be required by the Flint Hills Discovery Center, conference center, and theater. The development also consists of a one acre park where patrons and visitors can experience outdoor markets, events, programs and dining. The development is completed by a mixed-use building consisting of shops and retail on the first floor, with 24 living units above.



**The Flint Hills Discovery Center**

The following four pages reflect projections made in reference to the Flint Hills Discovery Center.

**PROJECT BUDGET**

Item	unit cost	quantity	unit	extended
The Permanent Exhibit/Tower	\$ 400	8,500	\$/SF	\$3,400,000.00
Visitor Center/Stratum	\$ 200	20,000	\$/SF	\$4,000,000.00
Activities Pavillion	\$ 175	5,830	\$/SF	\$1,020,250.00
Plaza	\$ 50	20,000.00	\$/SF	\$1,000,000.00
Site Development	\$ 200,000	8.00	\$/acre	\$1,600,000.00
Parking	\$3,000	130	\$/space	\$390,000.00
Architect/Engineer Fees			10.00%	\$641,025.00
Construction Manager Fees			3.50%	\$175,000.00
Theater Equipment			LS	\$300,000.00
Furniture/Fixtures & Equipment (FF&E)			LS	\$450,000.00
FF&E Design Fees			8%	\$36,000.00
Exhibit Fabrication	\$500	6,000	\$/SF	\$3,000,000.00
Exhibit Design Fees			25%	\$750,000.00
Special Consultants (Lighting, Acoustics, A/V,IS)			LS	\$100,000.00
<b>Subtotal</b>				<b>\$16,862,275.00</b>
Contingency			10%	\$1,686,227.50
Land Purchase			LS	\$-
Start-up Expenses			LS	\$-
Fund Raising Expenses			LS	\$-
<b>Subtotal</b>				<b>\$1,686,227.50</b>
<b>Total Project Budget</b>				<b>\$18,548,502.50</b>
<b>Other Considerations</b>				

- Design Competition
- Public Review
- Historic Preservation
- Environmental
- Requirements of collection lending institutions



## OPERATING BUDGET

Item		
Curator - 1 F/T position	\$	48,000
Visitor Center Staff - 4 FTE	\$	66,000
Discovery Center Staff - 3 FTE	\$	66,000
Education/Marketing/Development - 2.5 FTE	\$	55,000
Discovery Center Attendants - 1 FTE	\$	18,000
Visitor Center Representatives - 1.5 FTE	\$	26,000
Maintenance / Custodial Staff - 4FTE	\$	88,000
Salaries/Benefits Total	\$	367,000
Utilities	\$	50,000
Maintenance and Repair	\$	60,000
Insurance	\$	32,000
Contractual Services	\$	35,000
Development Expenses	\$	15,000
Interactive Theater Expenses	\$	15,000
Exhibit Program Expenses	\$	35,000
Education Program Expenses	\$	25,000
Publicity and Advertising Expenses	\$	15,000
Resale Items	\$	35,000
<b>Total Operating Budget</b>	<b>\$</b>	<b>684,000</b>

### Other Considerations

Requirements of collection lending institutions  
 University Interns  
 Docent / Volunteer Program

#### Initial Capital Investments

2 - 15 passenger vans (TOURS)	\$60,000
Exhibits	\$3,000,000
Furniture, Fixtures, Equipment	\$450,000
Theatre Equipment	\$300,000
Service Vehicle	\$25,000

#### Hours of Operation (55 HR Week)

Tuesday - Saturday 9:00 AM - 6:00 PM

Sunday - Monday 12:00 PM - 5:00 PM

\* Visitor Center hours could be expanded during peak times.



## MUSEUM REVENUES

Item	Min	Max
Visitation Range (persons annually) - \$7 Adults, \$5 Seniors, \$4 Children	60,000	100,000
Admissions	\$ 300,000	\$ 500,000
Annual Admission Pass	\$ 10,000	\$ 20,000
Gift Shop Net Income	\$ 15,000	\$ 20,000
Food Service Net Income	\$ 25,000	\$ 30,000
Education Programs	\$ 50,000	\$ 60,000
Special Events / Building Rental Income	\$ 50,000	\$ 75,000
Prairie Tours	\$ 15,000	\$ 20,000
<b>Subtotal</b>	<b>\$ 465,000</b>	<b>\$ 725,000</b>
Corporate Grants	\$ 100,000	\$ 100,000
Foundation Grants	\$ 50,000	\$ 100,000
Friends of the Center	\$ 50,000	\$ 60,000
City County State Funding (CVB Tax)	\$ 61,500	\$ 246,000
	*1/2 cent increase	*2 cent increase
<b>Subtotal</b>	<b>\$ 261,500</b>	<b>\$ 506,000</b>
<b>Total</b>	<b>\$ 726,500</b>	<b>\$ 1,231,000</b>

\* 1 cent of CVB tax generates around \$123,000 annually



### City of Manhattan Discovery Center Personnel

<u>CLASSIFICATION</u>	<u>FULL TIME</u>	<u>PART TIME</u>
Museum Director/Curator	1	
Marketing / Development Staff	1	1
Education Assistant		2
Exhibit/Discovery Center Staff	2	2
Visitor Center Staff*	2	4
Discovery Center Store Attendants		2
Visitor Services Representatives		3
Maintenance / Custodial Staff	2	4
<b>Total</b>	<b>8</b>	<b>18</b>

<u>Total Number Authorized</u>	
Full time	8
Part time	18
<b>FTE</b>	<b>17</b>

\* Chamber - CVB staff includes one existing staff position

Manhattan Downtown Redevelopment District

Flint Hills Discovery Center



### **III. Project Team**

Municipality: City of Manhattan, Kansas

Developer: Dial Realty, Omaha, Nebraska



**IV. Proposed Financial Structure**

<b>State of Kansas STAR Bonds South Area</b>	
Discovery Center	\$11,000,000
Land Acquisition / Relocation / Demolition	\$12,000,000
Infrastructure – Roads, Water, Sewer, Streetscape, Landscaping, Park	\$11,000,000
Parking Garage	\$4,000,000
Consulting Fees	\$3,000,000
<b>TOTAL</b>	<b>\$41,000,000</b>

<b>Dial Realty and City of Manhattan South Area</b>	
Hotel	\$15,000,000
Conference Center	\$5,000,000
Restaurants	\$4,000,000
Discovery Center	\$5,000,000
Retail	\$500,000
Theater	\$15,000,000
Residential	\$2,000,000
Parking Garage	\$2,500,000
<b>TOTAL</b>	<b>\$49,000,000</b>

The total cost estimate for the Flint Hills Discovery Center, including bricks and mortar, exhibits, furniture, fixture and equipment is approximately \$18.5 million. The bricks and mortar related to the Flint Hills Discovery Center, including landscaping and streetscape surrounding the building have been estimated at \$11 million. The cost to acquire land, clear the site, and prepare the land for construction of the Flint Hills Discovery Center and the remainder of the South Area has been estimated at \$12,000,000. Redevelopment projects and costs associated with acquisition, demolition and site preparation are much higher than the typical suburban, green field development. Infrastructure costs related to the South Area have been estimated at \$11,000,000. This includes upgrades at major intersections and entry points into the South Area. It also includes the streetscape and landscaping along the public streets and rights-of-way in and around the Flint Hills Discovery Center and South Area. Once again, since this is a redevelopment project, the costs associated with upgrading and replacing existing infrastructure are higher than installing new in an undeveloped area. The 400 stall parking garage has been estimated at \$15,000 per stall. This STAR bond application requests \$4,000,000 of the total \$6,500,000 necessary to build the garage. An additional \$3,000,000 has been requested to assist with the design and engineering costs associated with the Flint Hills Discovery Center and South Area.



## **V. STAR Bond Requirements**

### **A. Visitation Requirement**

Definition: Out-of-State Visitation should be 20% or more and 30% should be from more than 100 miles away.

Annual out-of-town visitation to the Manhattan area is estimated at about 1.0 million. The market positioning of the Downtown Redevelopment District is designed to capture out-of-town visitors. Kansas State University, Fort Riley, and the clustering of tourism sites in central Kansas now serve as major attractions for visitors to the Manhattan area.

Tuttle Creek Lake is the Manhattan area's largest tourism attraction with a reported 2003 attendance of 605,290 visitors. The Park has estimated that 393,439 visitors are from out-of-town, of which 98,360 are from out-of-state. The Flint Hills Discovery Center would be a complementary attraction for visitors to Tuttle Creek Park which represents a primary source of patronage for the Downtown Redevelopment District.

Kansas State University (KSU) athletic events are a major generator of visitors to the Manhattan area. Total 2004 season attendance for the seven Kansas State University football games was reported by the KSU Athletic Department at 338,883, translating into an average of 48,405 per game. Out-of-state residents accounted for 26,120 season tickets. Another 32,000 tickets were allocated and sold to visiting out-of-state teams. Therefore, an estimated 58,120 out-of-state visitors attended the seven Kansas State University football games during the 2004 season. During the 2003-04 season, total attendance was reported at 117,552 for men's basketball (16 games @ 7,347 per game) and 121,745 for women's basketball (13 games @ 9,365 per game). Out-of-town visitors accounted for an estimated 25 percent of total attendance. Spectators of athletic events are major consumers of food, beverage, and entertainment both before and after games. Therefore, spectators of Kansas State University sporting events represent a primary source of patronage for the Downtown Redevelopment District and for the Flint Hills Discovery Center.

Manhattan hosts several conventions throughout the year. During 2003, an estimated 50,000 out-of-town visitors attended conventions in Manhattan, with 12,500 coming from beyond 100 miles and another 10,000 from out-of-state. The Flint Hills Discovery Center would provide an additional reason for the convention delegate to visit and to include his/her family members while attending a Manhattan-based convention. In brief, the Flint Hills Discovery Center would help attract "new" convention business. Another benefit the Flint Hills Discovery Center would provide convention planners is as a place for social events for the delegates. In essence, the Flint Hills Discovery Center would be a supplementary sales advantage to the Downtown Redevelopment District.



Fall 2004 enrollment at Kansas State University was reported at 23,151 students, of which 3,596 are from out-of-state. Family and friends that visit out-of-state students have been estimated at approximately 10,000 per year (2.5 visitors per year per out-of-state student). This estimate is conservative given the large number of events held by the university each year, including athletic events, fall and spring enrollments and commencements, KSU Family Day, KSU Open House, and various lectures and educational events. The KSU Alumni Association supports a current membership of nearly 37,000 and operates the 52,000 square foot KSU Alumni Center. The age of most parents of college students falls into the category most plausible to be interested in visiting the Flint Hills Discovery Center.

The City of Manhattan Parks & Recreation Department hosts several annual youth and adult athletic and recreational events, attracting 2,000 out-of-state participants each year. Private soccer, softball, baseball, golf, swimming and diving, gymnastics, track, football, triathlon, and wrestling clubs host events throughout the year that attract out-of-town participants. Annual youth and adult athletic and recreation programs attract an estimated 12,500 participants from beyond 100 miles, of which 5,000 are from out-of-state. These groups also would conceivably show interest in the Flint Hills Discovery Center.

Fort Riley is located in close proximity to Manhattan. This military installation houses approximately 11,000 soldiers and 12,000 family members. The vast majority of stationed soldiers and family members are out-of-state residents, generating an estimated 27,500 out-of-state visitors each year. Both these in-state residents and out-of-state visitors represent a market for the Flint Hills Discovery Center. Fort Riley is currently expanding and by the year 2011, an additional 30,000 people will occupy the region. This expansion will essentially double the size of the existing base, and will add to the out-of-state visitors each year.

Canyon Research Southwest, Inc. completed a major study titled: *STAR Bond Feasibility & Market Study* that details the data and reasons that the Flint Hills Discovery Center should qualify for STAR Bond funding. Much of the information on the tourism market for Manhattan included in this section is derived from that study. From other research utilized for this document, the information and estimates produced by the Canyon Study appear valid and justified. In fact, if the State of Kansas continues to pursue a tourism policy and program to develop and promote the Flint Hills region as a major tourism destination and the Manhattan area acts on some of the recommendations outlined in the document, the Canyon Study numbers would appear to be very conservative. The Canyon Study, the Dr. David Edgell Tourism study, national tourism trends, State of Kansas tourism information, and Manhattan statistics strongly suggest the Flint Hills Discovery Center would add greatly to economic development and tourism sustainability in the Manhattan area.



The Manhattan area hosts an estimated 1.0 million out-of-town visitors per year. As summarized in Table 2 of the Nature Based Tourism Study by Dr. David Edgell, approximately 686,000 annual visitors to the Manhattan area travel from beyond 100 miles, of which an estimated 229,000 are out-of-state residents. These forecast out-of-town visitation patterns meet the State of Kansas Secretary of Commerce guidelines that 30 percent of visitors to a proposed STAR Bond Redevelopment District travel beyond 100 miles and 20 percent reside out-of-state.



**B. Economic Impact**

Definition: Direct expenditures, indirect expenditures, induced expenditures, enabling effects, and direct job creation defined as the total number of jobs supported by the proposed project, specified as full time, part time or seasonal.

The construction contract for the North and South Areas is estimated at approximately \$100 million. During the construction phase direct on-site employment is estimated at 420 full-time equivalent jobs. Indirect job creation is forecast at 709 jobs, bringing the total construction-phase work force to 1,129 jobs. Total payroll originating from these construction-phase jobs is estimated at \$27.8 million, resulting in total consumption expenditures of \$22.5 million. Upon completion, total capital investment into the Downtown Manhattan Redevelopment District is estimated at \$160 million.

**Construction-Phase Economic Impact  
Downtown Redevelopment District**

<b>Economic Indicator</b>	<b>Project Totals</b>
Capital Investment	\$160,000,000
Value of Construction	\$100,000,000
<b>Employment (Full-time Equivalent)</b>	
On-Site	420
Off-Site	56
Manufacturing	364
Trade/Transportation/Services	212
Others	76
<b>Total Jobs Created</b>	<b>1,129</b>
Payroll	\$27,843,167
Disposable Income	\$24,501,987
Consumption Expenditures	\$22,541,828
Shopping Goods	\$3,854,653
Convenience Goods	\$5,229,704
Other Consumption (I.e., Housing, Health, etc.)	\$13,457,471

Source: Canyon Research Southwest, Inc.; August 2006.



During the construction phase the total payroll is estimated at \$27.8 million. Accounting for deductions and a 3.5 percent tax rate, the State of Kansas is estimated to collect approximately \$780,000 in state income tax revenues resulting from construction-phase payroll.

**Economic Impact: Operational-Phase**

At build-out, direct employment generated from operation of the retail, lodging, and residential space developed within the Downtown Manhattan Redevelopment District is forecast to total 722 full-time equivalent jobs. Total annual payroll for these direct jobs is estimated \$11.9 million, resulting in total annual direct consumer expenditures of \$9.6 million. Direct and indirect employment is forecast at 1,085 full-time equivalent jobs, with a total annual payroll of \$21.2 million.

***Economic Impact Assessment: Operational-Phase***

<b>Economic Indicator</b>	<b>Direct Impacts</b>	<b>Indirect Impacts</b>	<b>Total Impacts</b>
Full-time Equivalent Employment	722	363	1,085
Annual Payroll	\$11,894,000	\$9,320,689	\$21,214,689
Disposable Income	\$10,466,720	\$8,202,206	\$18,668,926
Consumer Expenditures	\$9,629,392	\$7,546,020	\$17,175,412
Shopping Goods	\$1,646,624	\$1,290,368	\$2,936,992
Convenience Goods	\$2,234,017	\$1,750,675	\$3,984,692
Other Consumption	\$5,748,741	\$4,504,977	\$10,253,728

Source: Canyon Research Southwest, Inc.; August 2006.

Direct and indirect employment from the operational-phase of the Downtown Manhattan Redevelopment District is estimated to generate a total annual payroll of \$21.2 million. The State of Kansas is estimated to collect approximately \$600,000 in annual state income tax revenues resulting from operational-phase payroll.

Together, the Downtown Manhattan Redevelopment District and Flint Hills Discovery Center are conservatively forecast to generate 120,000 to 380,000 additional visitors to the Manhattan area per year. The demand for overnight accommodations by these increased visitors is estimated at approximately 20,400 to 64,600 annual room nights.



### **Forecast Retail Sales Revenues**

The Downtown Manhattan Redevelopment District is designed as a destination lifestyle and entertainment district. The mix of retail uses includes 238,800 square feet of shops and 49,800 square feet of restaurant space. A 120-room hotel is also planned for the Downtown Manhattan Redevelopment District.

Taxable retail sales volumes were estimated for the Downtown Redevelopment District based on several sources, including: 1) actual retail sales volumes for similar destination lifestyle and entertainment centers; 2) *Dollars & Cents of Shopping Centers* published by the Urban Land Institute; 3) data published by the International Council of Shopping Centers; 4) tourism spending characteristics published by the Travel Industry Association of America; 5) and *Trends in the Hotel Industry USA Edition* published by PKF Consulting; and 6) lodging operating data provided by Smith Travel Research.

Based on these sources, the Downtown Manhattan Redevelopment District is forecast to generate retail sales volumes of approximately \$4.9 million during the first year of occupancy in 2006, increasing to \$95.9 million at build-out and stabilized occupancy in 2009.

### **Collaboration with other Area Attractions**

Through operation of the Flint Hills Discovery Center the Downtown Manhattan Redevelopment District is anticipated to complement and enhance the operations of existing attractions in central Kansas by serving as a central learning, marketing and promotion center. Attractions in the Manhattan area include the Konza Prairie, Tuttle Creek State Park, Kansas State University, Sunset Zoological Park, US Cavalry Museum, and the Custer House. Regional attractions include Eisenhower Center in Abilene; Geary County Historical Museum in Junction City; Milford Lake & State Park and Milford Nature Center in Junction City; and Salina Art Center in Salina.

Visitors to the Downtown Manhattan Redevelopment District will learn of the region's rich history and natural environment, and made aware of these other attractions to visit and enjoy. These activities will assist in increasing visitation to the central Kansas region as well as lengthen the average stay per party.

### **Forecast Visitor Counts**

STAR bond financing is being sought to assist in the development of the Flint Hills Discovery Center and Downtown Manhattan Redevelopment District. To assist in evaluating STAR bond applications the Kansas Secretary of Commerce has published guidelines regarding a proposed project's economic impact. The following criteria were



evaluated when considering the tourism potential of a project applying for STAR bond financing:

- Out-of-state visitation from multiple states should have a target of 20 percent of total annual visitation to be considered a major, unique, destination attraction;
- A target of 30 percent of total annual visitation should be drawn from greater than 100 miles distance from the attraction community; and
- Total annual visitation should compare very favorably to existing attractions in Kansas.

Given the visitation levels to existing central Kansas attractions, activities of the Flint Hills Discovery Center and the concentration of destination lifestyle and entertainment retailers, the Downtown Manhattan Redevelopment District will serve as one of central Kansas' primary visitor destinations and draw for a wide geographic area.

The Flint Hills Discovery Center as well as the unique mix of destination lifestyle and entertainment retailers within the Downtown Manhattan Redevelopment District will serve as a multi-state destination. Therefore, out-of-town visitors to the Manhattan area represent the Downtown Manhattan Redevelopment District's primary trade area. The primary trade area includes the multi-state region of Kansas, Missouri, Iowa, Nebraska, and Oklahoma. According to Claritas, Inc., a national demographic research firm, this 5-state region supports a current population of 16.7 million.

The Manhattan area hosts an estimated 1.0 million out-of-town visitors per year. Approximately 686,000 annual visitors to the Manhattan area travel from beyond 100 miles, of which an estimated 289,000 are out-of-state residents. These forecast out-of-town visitation trends meets the State of Kansas Secretary of Commerce guidelines that 30 percent of visitors to a proposed STAR Bond Redevelopment District travel beyond 100 miles and 20 percent reside out-of-state.

The Flint Hills Discovery Center and the Downtown Manhattan Redevelopment District are forecast to increase annual visitation to the Manhattan area by 120,000 to 380,000 people. Out-of-town visitors are forecast to account for \$50 million of the Downtown Manhattan Redevelopment District's annual retail sales. Based on total forecast retail sales of approximately \$90 to \$100 million at project build-out, spending by out-of-town visitors is anticipated to account for 50 to 56 percent of total sales within the Downtown Manhattan Redevelopment District.

The Kansas Department of Commerce Travel & Tourism Division published the *2003 Attraction Visitor Report* which tracks the attendance levels for major public and private attractions in the state. For 2003 attendance ranged from a low of 173 at the Minor Sod



House Bed & Breakfast in Brewster, Kansas to a high of 1.42 million for Harrah’s Prairie Band Casino in Mayetta, Kansas. The one major attraction omitted from the survey is the Village West Tourism District which attracts an estimated 7.0 million visitors per year. Therefore, at an estimated 120,000 to 380,000 visitors per year the Downtown Manhattan Redevelopment District would serve as one of Kansas’ leading attractions. A list of the most popular attractions in Kansas is provided in the table below.

**Major Kansas Attractions: 2003 Attendance**

Attraction	Community	Reported Attendance
Harrah's Prairie Band Casino	Mayetta	1,422,000
El Dorado State Park	El Dorado	1,005,380
Hillsdale State Park	Paola	975,929
Topeka & Shawnee County Public Library	Topeka	913,466
Milford Lake & State Park	Junction City	771,459
Clinton State Park	Lawrence	594,065
Cheney State Park	Cheney	550,000
Tuttle Creek State Park	Manhattan	605,290
Kansas State Fairgrounds	Hutchinson	518,244
Sedgwick County Zoo	Wichita	490,937

Source: Kansas Department of Commerce.

The Flint Hills Discovery Center itself is forecast to attract 60,000 to 100,000 annual visitors, translating into only 5 to 8 percent of forecast annual visitation to the area. By comparison, according to the *2003 Attraction Visitor Report* published by the Kansas Department of Commerce similar attractions generally garnered similar or much higher visitation. Visitation levels in 2003 were reported at 58,683 for the National Agricultural Center and Hall of Fame in Bonner Springs; 87,000 for the Eisenhower Center in Abilene; 102,882 for the Wichita Botanical Gardens in Wichita; 131,496 for the Kansas History Center and Museum in Topeka; 148,306 for the Great Plains Nature Center in Wichita; and 211,949 for Exploration Place in Wichita. These actual visitation levels as well as existing visitation levels to the Manhattan area suggest that the estimated 60,000 to 100,000 annual visitors to the Flint Hills Discovery Center are realistically achievable.



### C. Unique Quality of Proposed Project

#### 1. National Destination Attraction Market

The Flint Hills Discovery Center will serve as the catalyst to the Flint Hills and Tall Grass Prairie experience. Visitors from across the nation can begin their experience at the Discovery Center in Manhattan, the beginning of the Tall Grass Prairie, and continue their journey south throughout Kansas and experience the vast landscape and open grasslands. As pointed out below, the tall prairie grasslands are of national interest. Manhattan's Discovery Center will serve as the trailhead and information center for visitors and researchers of the Flint Hills and the tall grass prairie.

The July/August 2005 issue of *National Geographic Traveler* contains an article titled: "Destination Scorecard: How Do 55 National Park Regions Rate?" This article "rates" the condition and quality of U.S. and Canadian National Parks as visitor destinations. National Geographic's Center for Sustainable Tourism polled some 300 experts in sustainable tourism (including the consultant on this project) to assess destination quality and park management. Out of the 55 park destinations, The Kansas Tallgrass Prairie National Preserve (Park) received a good score and was in 14<sup>th</sup> place. Comments about the Park were as follows: "The interpretation of what the tallgrass prairie once was will stagger the imagination---a great stop for cross-country drivers." The article went on to say that the Park was: "Too small to portray the vastness it represents, the Park drew panelist calls for 'more of everything'". This is an unbelievable endorsement of the Flint Hills Discovery Center which could "portray the vastness it represents" and add "more of everything". This article alone is an impressive call to action for development of the Flint Hills Discovery Center.

#### 2. Multi-State Market Area

The Downtown Manhattan Redevelopment District will add to the list of attractions and visitor draw to central Kansas. The multi-state region of Kansas, Missouri, Iowa, Nebraska, and Oklahoma is expected to be the source for most Manhattan area visitors. This 5-state region supports a current population of 16.7 million, with Kansas accounting for just 16.4 percent, or 2.7 million. From 2004 to 2009, the 5-state region's population is forecast to increase by 2.38 percent reaching 17.1 million.

People aged 21 to 54 represent the primary customer for the Downtown Manhattan Redevelopment District. This age group now accounts for approximately 46 percent of the 5-state population, or 7.7 million people. Income levels generally are consistent with national averages with 718,933 households, or approximately 11.0 percent of all households, possessing annual incomes of \$100,000 or more. The 5-state region's demographic characteristics bode well for the ability of the Downtown Manhattan Redevelopment District to support destination lifestyle and entertainment retail uses.



### 3. Kansas Destination

The Downtown Manhattan Redevelopment District and the Flint Hills Discovery Center is designed to serve as a major tourism destination for central Kansas, anchored by cultural and educational facilities and complemented by a mix of entertainment venues, dining, and specialty shopping. No other commercial district in the region compares. Kansas State University, Fort Riley, and the clustering of tourism sites in central Kansas now serve as major attractions for visitors to the Manhattan area. Annual out-of-town visitation to the Manhattan area is estimated at approximately 1.0 million.

### 4. Ability of the proposed project to utilize the nature, culture, or heritage that is unique to Kansas.

As previously pointed out, the Discovery Center will focus on the culture, heritage, nature and history of Manhattan, Northeast Kansas, and the Flint Hills.

The Flint Hills Discovery Center would encompass, embrace, and complement the Manhattan area, Riley County, and nearby areas that are rich in nature, history, heritage, and culture. As historians, archaeologists, geologists, geographers, and genealogists continue to search the area for clues of its past, new artifacts and interesting discoveries take place on a regular basis. One of the most recognizable known cultures of the area for a substantial time period is that of the Kansa Indians. This nomadic tribe seems to have abandoned the Missouri River villages in favor of areas farther west, including the area near Manhattan. It appears this movement took place in the early 1700s. While there are no longer any full blooded Kansa Indians in existence (many inter-married with the Osage on government reservations) they left an indelible mark on the history and heritage of the area in which they lived.

As immigrant farmers moved further and further west, they discovered the fertile lands of the Midwest and particularly the wonderful soil of Kansas. As the territory of Kansas began to increase in population, construction of several forts began to take place. Early on, Fort Leavenworth was established and by the 1840s Fort Scott was constructed. By 1853, Fort Riley began to take shape and much of the early construction remains to this day. The early history of Fort Riley is closely tied to the movement of people and trade along the Oregon and Santa Fe Trails. During the 1850s, there were officers and soldiers at Fort Riley who ended up on opposite sides during the Civil War. Some more notable names included Robert E. Lee, Joseph E. Johnston, and James Ewell "J.E.B." Stuart, all of whom became famous generals fighting for the South. One of the more famous officers was George A. Custer who fought in the Civil War for the North and was later killed in the famous battle with American Indians at the Little Big Horn. This fort has museums, monuments, and other memorabilia of interest to tourists.



By 1855, the Cincinnati and Kansas Land Company left Cincinnati, Ohio on the steamboat Hartford, bound for central Kansas. Sandbars grounded the Hartford near the present-day Manhattan site where the new town of Boston was being established. New York investors insisted on the name Manhattan and the community of Boston was thus re-named. (Manhattan is one of the five boroughs of New York City, known as “The Big Apple”, and it is because of this association that Manhattan, Kansas adopted the brand name of “The Little Apple”.)

5. The ability of the proposed project to provide Kansas with a valuable, national brand identity.

As pointed out by Governor Kathleen Sebelius on October 15, 2005 at her press conference in Cottonwood Falls, “the Flint Hills have potential to create jobs”, and “this is a time of great opportunity and great optimism for the future of the Flint Hills”. We certainly agree with those remarks and envision the Flint Hills Discovery Center in Manhattan, Kansas as a primary gateway to the future of nature based tourism for the Flint Hills and Kansas.

#### **D. Sustainable Information**

1. Remain Profitable past the term of repayment of the STAR bonds.

The Discovery Center is projected to bring in an attendance of 60,000 to 100,000 visitors. In the initial projections of revenues and operations, 60,000 visitors will generate enough revenue for the facility to break even. We believe the visitation estimates are very conservative and will remain so as the facility continues to draw attendees. As a projected Smithsonian affiliate museum, we anticipate increasing our visitation numbers by continuously revolving and marketing traveling exhibits.

2. Maintain status as a significant factor for travel decisions.

The Discovery Center will not remain static. Exhibits will rotate and the Flint Hills Discovery Center will focus on different aspects of the Flint Hills at different times of the year. We anticipate that school tours, unique events, Kansas State University educational opportunities, local and state wide conference partnerships, and the Smithsonian affiliation will ensure the Discovery Center remains competitive in the travel and tourism industry.

#### **E. Integration and Collaboration with other resources or businesses**

1. Creation of overnight stays.



As the South Area develops, the Discovery Center, the existing Fairfield Inn, and the new hotel adjoining conference center will create a synergy of opportunity for overnight stays. Coupled with other entertainment venues in the direct vicinity, including a 10-screen theater and national restaurants, along with the existing Manhattan Town Center (mall), the Historic Downtown, and newly developed shopping center to the north, we anticipate a significant portion of the already existing million visitors will extend their stay the extra day to enjoy the tourism district.

Together, the Downtown Manhattan Redevelopment District and Flint Hills Discovery Center are conservatively forecast to generate 120,000 to 380,000 additional visitors to the Manhattan area per year. The demand for overnight accommodations by these increased visitors is estimated at approximately 20,400 to 64,600 annual room nights.

## 2. Collaboration or competition with other available retail and destination attractions.

As mentioned above, we anticipate a synergy of opportunities in the immediate district, and the adjacent shopping destinations. Kansas State University and Tuttle Creek Lake already bring a significant number of visitors. The STAR bond tourism district will provide for an additional opportunity for visitors to extend their stay in Manhattan.

The Discovery Center is envisioned to partner with Kansas State University and their biological research at the Konza Prairie. We also anticipate a partnership with the Manhattan Sunset Zoo in educational opportunities related to native animals, reptiles and fish.

## 3. Short-term and long-term marketing plans, with emphasis upon cluster, niche and cooperative marketing.

Short and long term plans will be developed to address the primary, secondary and tertiary markets for the Manhattan and Northeast Kansas area. We anticipate working with the State of Kansas, Department of Commerce, and the Travel and Tourism Division, to jointly promote the Flint Hills and the Tall Grass Prairie. Partnerships are also anticipated with the Sunset Zoo, Kansas State University, National Tall Grass Prairie Preserve, Fort Riley, and a number of local attractions we can promote out of this facility.

## **F. Quality of Service and Experience Provided**

The Discovery Center is expected to be a Smithsonian affiliate museum. It will be designed in a manner to secure this distinction, and will maintain a relationship with the Smithsonian for traveling exhibits. City of Manhattan and the Manhattan Area Chamber of Commerce staffs have already met with professional exhibit designers and upon verification from the State, will administer a Request for Proposals to secure a



Smithsonian level exhibit designer for the Discovery Center. It is anticipated a two year process will be necessary to fully design and customize the exhibits for the Center. Museum staff will be hired and will enter their positions with the understanding that this facility will serve as an education and experience museum like no other in Kansas. The Center will be designed both internally and externally to entice second and third time visitors. A long term plan will be developed to ensure the quality service continues in the future.

### **G. Proposed Project Accountability**

The Feasibility and Market Study in Exhibit A were completed by Canyon Research, which is an independent, third party consulting firm. The City of Manhattan complies with generally accepted accounting practices. This facility will be owned and operated by City of Manhattan, with oversight and guidance by the City Commission. The Chamber of Commerce and the Convention and Visitor's Bureau of Manhattan also have a vested interest in the Discovery Center, and will continue to work with the hotel operator and the conference center operator to schedule and coordinate events within the South Area.

### **H. Feasibility Study Findings**

1. Findings that the benefits and tax increment revenues will meet or exceed project costs.

The feasibility study attached, as Exhibit A, concluded that the Manhattan Downtown Redevelopment taxing district is forecast to generate sufficient sales tax revenues to cover the projected debt service obligations through the maturity of the STAR bonds.

2. Findings that the effect, if any, the project will have on any outstanding special obligation bonds.

There are no outstanding special obligation bonds.

3. Description of any project submitted under K.S.A. 12-1771d.

This project is not submitted under K.S.A. 12-1771d.

4. Statement of how jobs and taxes obtained from the project will contribute significantly to the economic development of the state and region.

The construction contract for the North and South Areas is estimated at approximately \$100 million. During the construction phase direct on-site employment is estimated at 420 full-time equivalent jobs. Indirect job creation is forecast at 709 jobs, bringing the



total construction-phase work force to 1,129 jobs. Total payroll originating from these construction-phase jobs is estimated at \$27.8 million, resulting in total consumption expenditures of \$22.5 million. Upon completion, total capital investment into the Downtown Manhattan Redevelopment District is estimated at \$160 million.

During the construction phase the total payroll is estimated at \$27.8 million. Accounting for deductions and a 3.5 percent tax rate, the State of Kansas is estimated to collect approximately \$780,000 in state income tax revenues resulting from construction-phase payroll.

At build-out, direct employment generated from operation of the retail, lodging, and residential space developed within the Downtown Manhattan Redevelopment District is forecast to total 722 full-time equivalent jobs. Total annual payroll for these direct jobs is estimated at \$11.9 million, resulting in total annual direct consumer expenditures of \$9.6 million. Direct and indirect employment is forecast at 1,085 full-time equivalent jobs, with a total annual payroll of \$21.2 million. The State of Kansas is estimated to collect approximately \$600,000 in annual state income tax revenues resulting from operational-phase payroll.

#### 5. Statement concerning any sales tax not available for STAR bonds.

A portion of the City's sales tax rate is dedicated towards economic development, and another portion towards a schools sales tax. The City / School District receive  $\frac{1}{4}$  cent for school related purposes, and Riley County has a  $\frac{1}{2}$  cent sales tax, of which the City receives 61% for economic development purposes. These funds are not available to retire STAR bond debt.

#### 6. Anticipated Principle and Interest Payments

See Exhibit A – Feasibility Analysis

### **I. Market Study Findings**

#### 1. Findings regarding negative impacts upon businesses in the project market area.

The Downtown Manhattan Redevelopment District is located within city's largest commercial core, encompassing Manhattan Town Center, downtown merchants, and two anchored shopping centers. Manhattan Town Center occupies the eastern gateway into downtown Manhattan. Built in the late 1980s, the regional mall is anchored by Dillards, JC Penney and Sears. Other national retailers include Aeropostale, Bath & Body Works, Buckle, Christopher & Banks, Fashion Bug, Gap, Finish Line, Footlocker, Hollister, Payless Shoes, Subway, Victoria's Secret and Zales Jewelers. The mall reports strong retail sales



and its close proximity to the Downtown Redevelopment District will create strong retail synergy.

A new 212,045 square foot Wal-Mart Supercenter opened in April 2004 at Tuttle Creek Boulevard and Bluemont Avenue, representing the latest retail development within the downtown core. The department and grocery store was built with the assistance of a Transportation Development District (TDD). Wal-Mart relocated from an existing store located within a shopping center immediately to the south at U.S. Highway 24 and Tuttle Creek Boulevard. Renovations have been completed to the former Wal-Mart store that is now occupied by Hobby Lobby and Hastings Entertainment Superstore. Other tenants within the fully leased shopping center include Staples, Dollar Tree, H&R Block, and Midland Medical.

Seth Child Road serves as west Manhattan's primary retail corridor housing several anchored shopping centers and big-box retailers. The intersection of Seth Child Road and Anderson Avenue serves as a primary hub of retail activity, housing two shopping centers totaling 254,730 square feet of space, several big-box retailers and national restaurant chains. Big-box retailers operating within the Seth Child Road corridor include Home Depot, Target, Carmike Seth Childs Cinema, Ben Franklin Crafts, Dillon's, and Food 4 Less.

Seth Child Commons is a newly developing shopping center within the Seth Child Road corridor, housing a 125,443 square foot Target store and 8,000 square feet of shops occupied by Sally Beauty Supply, Great Clips, Kansas Kollection, Manhattan Florist, and EB Games. Additional shop space was recent built on out parcels occupied by such major retailers as Baskin Robins, Wells Fargo Financial, Golf USA ands Pier 1 Imports. Arby's, Capital Federal Savings and Panera Bread occupy freestanding locations.

Manhattan's retail market is currently healthy, reporting high occupancy levels, the recent market entrance of several national retailers, and continued growth in sales. While Manhattan's retail base has grown considerably in recent years, it remains focused primarily on providing day-to-day goods and services to area residents. Missing is a large concentration of dining, entertainment, and specialty shopping aimed at attracting out-of-town visitors and tourists. This narrow tenant base, healthy competitive market conditions, favorable trade area demographics, and high visitor counts bodes well for the potential for the Downtown Redevelopment District to support feasible retail development.

2. Findings that issuance of the proposed STAR bonds will not cause a default in the payment of any outstanding special obligation bonds.

The Feasibility and Market Study concluded that the proposed project will not cause a default in the payment of any outstanding special obligation bonds.

## **J. Demonstration that conditions of approval have been met**



1. Evidence of financial commitments by prospective tenants.

On the South Area, the Flint Hills Discovery Center and the Conference Center will be controlled by the City of Manhattan. Construction is anticipated in 2008 for the Flint Hills Discovery Center, and in 2007 for the Conference Center. Dial Realty is working towards leases with a theater company, a hotelier, two national restaurants, and small shop tenants. We anticipate these leases in the summer of 2007.

The North Area of the Downtown Redevelopment district is underway. Dial Realty has executed a contract with Best Buy and is under construction. Dial is nearing leases with several other national junior anchor stores and national restaurants. Dial Realty anticipates full build out on the North Area by spring of 2008.

2. Proposed specimen bond.

To be provided by bond counsel.

3. A project budget.

A detailed project budget is included with the financial structure.

4. Due Diligence and full Disclosure

The City has performed financial and criminal background checks for Dial Realty and the principals involved. The City has found the principals involved in the development to be in good standing.

K. Chronology of City Approvals and Required Statutory Steps

- \* November 15, 2005 – City Commission passed Ordinance 6512, establishing the Downtown Redevelopment Tax Increment Finance (TIF) District
- \* June 6, 2006 – City Commission passed Redevelopment Plan for North Area
- \* Fall 2006 – City Commission consider Redevelopment Plan for South Area
- \* All required steps and approvals will be provided.

## VI. Retail Leakage Analysis

Retail trade areas are segmented into primary, secondary, and tertiary geographic areas. The primary trade area is the geographical area that generates the largest share of sales, generally ranging from 70 to 80 percent. The secondary trade area generates about 15 to 20 percent of the total sales. Finally, the tertiary trade area forms the broadest area from which customers may be drawn, accounting for 5 to 10 percent of total sales. The Downtown Manhattan Redevelopment District's primary trade area is defined as a 10-mile



radius from the site, with the secondary and tertiary retail trade areas encompassing a region within a 30-mile radius.

Supportable retail sales are a function of consumer population and income levels. According to data published by Claritas, Inc., primary, secondary and tertiary trade areas within 30-mile radius of the Downtown Manhattan Redevelopment District support a current population of 116,289 and per capita income of \$20,575, translating into total personal income of approximately \$2.4 billion. At the state-wide rate of retail spending equivalent to 41.6 percent of total personal income, in 2005 retail sales supportable by primary, secondary and tertiary trade area residents are estimated at approximately \$995 million.

For 2005, Claritas, Inc. estimated total retail sales in the primary, secondary and tertiary trade areas, exclusive of automobile sales, at approximately \$796 million. Therefore, the primary, secondary and tertiary trade areas are currently suffering from annual retail sales leakage estimated at nearly \$200 million. At average retail sales of \$225 per square foot, capturing this retail sales leakage would support an estimated 886,489 square feet of retail floor space.

**Projected Supportable Retail Sales: 30-Mile Radius Trade Area (2006)**

	<b>2006</b>
Resident Population	116,289
Per Capita Income	\$20,575
Total Personal Income	\$2,392,646,175
<u>% Income Spent on Goods &amp; Services (Kansas Average)</u>	41.6%
Total Supportable Non-Automotive Retail Sales	\$995,340,809
Less: 2005 Trade Area Non-Automobile Retail Sales*	\$795,880,784
Potential Capture of Additional Non-Automotive Retail Sales	\$199,460,025
Average Retail Sales Per Square Foot	\$225
<b>Supportable Additional Retail Space (Sq. Ft.)</b>	<b>886,489</b>

Notes: \* Source is Claritas, Inc.

The primary constraint in capturing a larger share of visitor spending is that the width and depth of the local retail base has been insufficient. The current retail base captures well below average sales from such categories as hardware, lumber and garden stores; gasoline service stations; drug stores; home appliance, radio and TV stores; and furniture and home furnishing stores. The Downtown Manhattan Redevelopment District’s mix of



big-box retailers, restaurants, specialty shopping and entertainment venues is designed to fill current voids in the local retail market and capture increased retail spending.

### **Supportable Retail Sales by Out-of-Town Visitors**

Through implementation of the Flint Hills Discovery Center and Downtown Manhattan Redevelopment District, potential annual visitation to the Manhattan area is estimated at 1.2 to 1.4 million visitors. Based on an average visitor stay of 1.05 days (assumes average day trip of 0.65 days and overnight trips of 1.6 days) and average visitor spending of \$50 per day, potential annual tourism-related spending on shopping, food, and entertainment is estimated at \$63 to \$73 million.

### **Forecast Retail Sales –Downtown Redevelopment District**

The Downtown Manhattan Redevelopment District is designed to capture retail sales now eluding the Manhattan area. At build-out and stabilized occupancy, the Downtown Manhattan Redevelopment District is forecast to general annual sales of approximately \$90 to \$100 million.

The Downtown Manhattan Redevelopment District’s primary, secondary and tertiary trade areas are currently suffering from annual retail sales leakage estimated at nearly \$200 million. At capture rates of 20 to 25 percent, the Downtown Manhattan Redevelopment District would capture new trade area retail sales of approximately \$40 million to \$50 million annually.

Potential annual tourism-related spending on shopping, food, and entertainment in the Manhattan area is estimated at \$63 to \$73 million. Assuming the Downtown Manhattan Redevelopment District captures 65 percent of visitor spending, visitors from outside of the region would account for an estimated \$41 to \$48 in total retail sales at project build-out and stabilized occupancy.

As outlined in the table on the following page, regional trade area residents and out-of-town visitors are forecast to account for approximately \$81 to \$98 million of the Downtown Manhattan Redevelopment District’s annual retail sales at project build-out and stabilized occupancy. Based on total forecast retail sales of approximately \$90 million to \$100 million at project build-out and stabilized occupancy, new spending by regional residents and out-of-town visitors is anticipated to account for approximately 90 to 98 percent of total sales within the Downtown Manhattan Redevelopment District. Given the high level of retail sales leakage with the primary, secondary and tertiary trade area as well as the forecast growth in out-of-town visitors the majority of captured retail sales will represent new spending rather than the cannibalization of current retail sales within the Manhattan area.



**Downtown Redevelopment District - Forecast Retail Sales by Source**

	<b>Conservative Scenario</b>	<b>Moderate Scenario</b>
<b>Potential New Regional Trade Area Spending</b>		
Total Supportable Non-Automotive Retail Sales	\$995,340,809	\$995,340,809
Less: 2005 Trade Area Non-Automobile Retail Sales	\$795,880,784	\$795,880,784
Potential Capture of Additional Non-Automotive Retail Sales	\$199,460,025	\$199,460,025
Downtown District Capture Rate – Potential New Regional Sales	20%	25%
Annual New Regional Sales Captured by Downtown District	\$39,892,000	\$49,865,000
Annual Downtown District Retail Sales at Build-out	\$90,000,000	\$100,000,000
% of Downtown District Retail Sales from Regional Trade Area	44.3%	49.9%
<b>Spending by Out-of-Town Visitors</b>		
Estimated Annual Visitors to Manhattan Area	1,200,000	1,400,000
Average Length of Stay - # of Days	1.05	1.05
Total Visitor Days	1,260,000	1,470,000
Average Retail Spending per Visitor Day	\$50	\$50
Potential Visitor Spending on Shopping, Food & Entertainment	\$63,000,000	\$73,500,000
Downtown District Capture Rate	65%	65%
Total Annual Visitor Sales in Downtown District	\$40,950,000	\$47,775,000
Forecast Downtown District Retail Sales at Build-out	\$90,000,000	\$100,000,000
% of District Retail Sales from Visitors	45.5%	47.8%
<b>Downtown District Retail Sales Capture</b>		
Forecast Annual District Retail Sales at Build-out	\$90,000,000	\$100,000,000
Annual New Regional Sales Captured by Downtown District	\$39,892,000	\$49,865,000
Total Annual Visitor Sales in Downtown District	\$40,950,000	\$47,775,000
Annual Sales from Regional Trade Area & Visitors	\$80,842,000	\$97,640,000
% of District Retail Sales from New Regional Trade Area & Visitors	89.9%	97.6%

Source: Canyon Research Southwest, Inc.; July 2006.



## **VII. Summary and Conclusion**

Based on the application and findings before the State and the Department of Commerce, the Flint Hills Discovery Center and the South Area will be a major tourism attraction for the State of Kansas. We have provided documentation that demonstrates the Kansas Administration Regulations (K.A.R.) Section 110-9 has been fulfilled. The City of Manhattan therefore requests that the Department of Commerce approve the STAR bond financing for the Flint Hills Discovery Center and South Area in the amount of \$41 million.