



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)

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

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

	Conservative Scenario	Moderate Scenario
Potential New Regional Trade Area Spending		
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%
Spending by Out-of-Town Visitors		
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%
Downtown District Retail Sales Capture		
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.