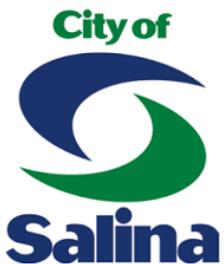




DRAFT

# STAR Bond Revenue Study Salina, Kansas



November 27, 2016



# Table of Contents

- Executive Summary..... 1
- Purpose of this Report ..... 6
- Methodology for Projecting STAR Bond Tax Revenues ..... 8
- Profile of Salina ..... 9
- The Proposed Downtown Revitalization Projects..... 12
- The Salina Fieldhouse ..... 13
  - Context and Overview ..... 13
  - Competitive Supply ..... 13
    - Wichita ..... 14
    - Topeka..... 14
    - Lawrence ..... 14
  - Market Demand ..... 17
- STAR Bond-Eligible Tax Revenue Implications ..... 23
  - Local Visitors ..... 23
  - Non-Local Visitors ..... 24
- The Alley..... 27
  - Context and Overview ..... 27
  - Competitive Supply ..... 27
  - Demand..... 30
  - Sales Tax Implications ..... 31
- Classic Car Museum ..... 32
  - Context and Overview ..... 32
  - Competitive Supply ..... 32
  - Demand..... 33
  - Sales Tax Implications ..... 35
  - Competitive Supply ..... 38
  - Demand..... 38
  - Sales Tax Implications ..... 39
- Hilton Suites ..... 40
  - Context and Supply ..... 40
  - Demand..... 42
  - Sales and Transient Tax Implications ..... 44

Retail and Dining ..... 45  
    Estimating Downtown’s Retail and Dining Tax Revenues..... 46  
    Demand..... 48  
        Local Shift Effect..... 48  
        Spillover Effect from New Visitors ..... 50  
        Overall Effect on Downtown Retail and Dining Sales ..... 52  
Housing In Downtown Salina ..... 56  
    Demand for Downtown Housing ..... 58  
    Sales Tax Implications ..... 59  
Conclusion: STAR Bond-Eligible Tax Revenue Projections ..... 60



## Executive Summary

Downtown Salina, Kansas, is expecting the development of several major new “anchors” that would attract more visitors and economic activity. Downtown’s economy has been relatively anemic since the late 1980s when many stores, restaurants, and other businesses began to relocate to malls, strip centers, and office parks in the South 9<sup>th</sup> Street and I-135 corridors. Despite noble efforts that improved much of the public spaces in the Downtown area well before the turn of the century, Downtown did not recover to its previous robustness.

Civic and private interests are now proposing the introduction of several new attractions and businesses as part of what is generally called the *Salina 2020* project. Led by a new Salina Fieldhouse, presently under construction, Downtown would become an attraction for major youth sports tournaments attracting athletes and families from a very wide radius including from states adjoining Kansas. In turn, these people alone would increase demand for more retailing and dining Downtown.

Salina 2020, however, also includes plans for a new hotel (Homewood Suites by Hilton), a new restaurant at the hotel, a classic car museum, a family entertainment center, more improvements to the very successful Stiefel Theater, an Old Chicago pizza restaurant, and the already-operational Save-A-Lot grocery store. Furthermore, plans call for a massive re-design of much of the public realm along Santa Fe Street to improve its aesthetics, its functionality, and its ability to attract and retain Downtown visitors.

Projected capital costs for all the above total about \$150 million to be invested between 2016 and 2019 so that all of these new additions to the Downtown economy will be active by 2020. Some of these capital costs are proposed to be borne by the public sector (city, county, and state) using incremental tax revenues that would be generated by the new business activity Downtown. These increments would be captured for debt retirement under the state-enabled Sales Tax and Revenue Bond (or STAR Bond) program wherein certain city, county, and state sales and transient lodging taxes generated in an established STAR Bond District (in this case defined as Downtown Salina) are designated to repay bond buyers who help finance the noted improvements.

This report evaluates the various Salina 2020 projects as to their ability to attract new visitors and new taxes in the downtown area over the coming 20 years. Moreover, the new facilities and the streetscape improvements on Santa Fe are also expected to re-attract some of the retail, dining, entertainment, recreation, and hotel spending that is now taking place outside of Downtown Salina. Called the “spillover effect” in this report, these shifted sales can contribute to the STAR Bond District’s ability to raise eligible tax revenues to repay the bonded indebtedness.

Combining all of the market analysis, sales projections, and assumptions, the table on the following page shows the future flow of eligible tax revenues that Development Strategies concludes can be applied to STAR Bond repayments. The table is shown with several columns representing the major components of Salina 2020 visitation and their projected sales and transient taxes.

Important to note is that sales and transient taxes generated during the “base year” cannot be used for STAR Bonds. Only new, or incremental, taxes *in addition to the base year* can be redirected for bond repayment. The base year, in this case, is June 1, 2014, to May 31, 2015. For that period of time, City and State officials determined the amount of qualifying sales (retail, dining, hotel, entertainment tickets, etc.) that took place in the Downtown/STAR Bond District. This amount is almost \$33.2 million which generated about \$2.6 million in taxes that qualify for STAR Bonds. This amount, however, cannot be applied to future bond repayment. Sales that generate eligible taxes for STAR Bond retirement must

exceed that amount. The table, below, includes only “new” amounts, or increments, that should be eligible for bond retirement.

Because very little of the improvements have yet been completed, the first year of the STAR Bond period (2017) is expected to generate relatively little toward the bond funds—less than \$400,000. Meanwhile, during 2017, the Fieldhouse will be completed and made operational (thus attracting new visitors to Downtown and generating more Downtown business activity). But the streetscape capital improvements on Santa Fe are also planned for 2017 through mid-2018, which will likely have a somewhat dampening effect on business growth, especially along Santa Fe itself. Thus, the strongest tax increments are not projected to begin until the 2019 calendar year.

Projected Sales and Transient Taxes Generated to Support STAR Bonds <sup>1</sup> Excluding Potential Tax Collections from Non-Retail/Dining Businesses								
	Hotel Rooms	Old Chicago & Hotel Restaurant	Save-A-Lot	Downtown Restaurants & Retail <sup>2,3</sup>	America's Crossroads Car Collection	Stiefel Theatre	The Alley	Total Eligible Taxes Generated
2017 Year 1	\$ -	\$ -	\$ 201,700	\$ 184,300	\$ -	\$ 6,100	\$ -	\$ 392,100
2018 Year 2	316,700	243,800	205,800	240,900	3,500	9,300	177,300	1,197,300
2019 Year 3	646,000	497,300	209,900	76,900	7,200	12,600	361,600	1,811,500
2020 Year 4	658,900	507,200	214,100	139,900	7,300	16,100	368,900	1,912,400
2021 Year 5	672,100	517,400	218,300	208,200	7,500	19,700	376,300	2,019,500
2022 Year 6	685,600	527,700	222,700	268,500	7,600	23,500	383,800	2,119,400
2023 Year 7	699,300	538,300	227,200	330,400	7,800	27,400	391,500	2,221,900
2024 Year 8	713,300	549,000	231,700	394,000	8,000	31,400	399,300	2,326,700
2025 Year 9	727,500	560,000	236,300	459,400	8,100	35,600	407,300	2,434,200
2026 Year 10	742,100	571,200	241,100	525,900	8,300	36,300	415,400	2,540,300
2027 Year 11	756,900	582,600	245,900	594,300	8,400	37,000	423,700	2,648,800
2028 Year 12	772,100	594,300	250,800	664,500	8,600	37,800	432,200	2,760,300
2029 Year 13	787,500	606,200	255,800	736,600	8,800	38,500	440,800	2,874,200
2030 Year 14	803,300	618,300	260,900	810,700	9,000	39,300	449,700	2,991,200
2031 Year 15	819,300	630,700	266,200	886,700	9,100	40,100	458,700	3,110,800
2032 Year 16	835,700	643,300	271,500	964,800	9,300	40,900	467,800	3,233,300
2033 Year 17	852,400	656,100	276,900	1,045,100	9,500	41,700	477,200	3,358,900
2034 Year 18	869,500	669,300	282,500	1,127,500	9,700	42,500	486,700	3,487,700
2035 Year 19	886,900	682,600	288,100	1,212,000	9,900	43,400	496,500	3,619,400
2036 Year 20	904,600	696,300	293,900	1,298,900	10,100	44,200	506,400	3,754,400
<b>Totals</b>	<b>\$ 14,149,700</b>	<b>\$ 10,891,600</b>	<b>\$ 4,901,300</b>	<b>\$ 12,169,500</b>	<b>\$ 157,700</b>	<b>\$ 623,400</b>	<b>\$ 7,921,100</b>	<b>\$ 50,814,300</b>

<sup>1</sup>Assumes the effective STAR Bond-eligible rates of 6.58% for transient guest tax and 8.3527% for state and local retail sales tax.

<sup>2</sup>Includes growth in sales/revenues of current downtown merchants and increased occupancies of currently vacant retail/dining spaces.

<sup>3</sup>Includes the additional revenue generated by the special sales tax effective October 1, 2016 and the sales generated at existing retailers from new visitors.

Dollar-based projections from thence forward reflect a combination of factors. One is growth in out-of-town visitors attracted to not only the Fieldhouse but also to:

- The new family entertainment center (anticipated to be The Alley which as facilities already in Wichita and Hutchison),
- The new classic car museum featuring a wide range of automobiles from many eras and genres owned by Salina-area residents,
- The added capacity and events at the Stiefel Theater, and
- The new hotel which is intended to serve sporting tournament families, business people, and the Salina Health Center.

Out-of-town visitors are expected to make purchases and generate taxes throughout the city of Salina, and the assumption in this report is that Downtown will be able to capture 20 percent of that growth. The other 80 percent will take place, for instance, in and around existing hotels and in shopping districts throughout the city.

A second key growth factor for Downtown tax generation is assumed shifts of consumption habits by the local resident market from the South 9<sup>th</sup> Street area and other parts of Salina to the “new and improved” Downtown. The assumption here is not as aggressive as the 20 percent capture rate noted for new visitors, but is still substantial given the size and growth of Salina’s population. At present, Downtown accounts for about 3.3 percent of all taxes collected in Salina as a whole, but only 2.6 percent of sales generated by retailers and restaurants. The projection is that, gradually over the 20 years, Downtown will be above to account for 3.5 percent of sales of purchases by local residents.

The third and final major factor is inflation of the dollar, which actually increases the nominal amount of dollars while decreasing buying power. But it is an important factor because it helps to effectively reduce the “real” costs of repaying the bond debt. Given trends since the Great Recession and goals of the Federal Reserve System in the U.S., inflation is assumed to average two percent per year (cumulative) between 2017 and 2036.

Between these three primary growth factors, STAR Bond-eligible taxes generated Downtown will increase each year, eventually totaling \$50.8 million at the “stream” of annual revenues shown on the above table.

In some greater detail, key assumptions and limiting factors that derive from the analysis in this report are summarized here:

- An inflation rate of 2.0 percent per year is assumed based on the target rate defined by the Federal Reserve Bank. Inflation is applied beginning in Year 2 of the projections.
- The Alley, Homewood Suites, Car Museum, and Old Chicago are assumed to open in mid-2018 after the completion of downtown streetscape improvements. Thus, the 2018 projections reflect a half-year of operations for the components.
- Projections for hotel room revenue at Homewood Suites include an initial-year average daily rate (ADR) of \$125.56 and an average occupancy rate of 76.5 percent.
- Projections of revenue at the to-be-named hotel restaurant start at \$364 per square foot based on the class of restaurant.
- Old Chicago revenues are projected based on the developer’s assumptions and are in line with other locations in Kansas. Sales growth is projected at 3 to 5 percent through 2021 based on the performance of the Garden City location. This is in addition to normal inflation.
- Save-A-Lot had total retail sales of \$2.82 million from August 2015 through October 2016, which is reflected in the projections. Sales growth of 5 percent per year is projected for years 3 through 7, as the store continues to grow, become more established to serve the greater downtown neighborhoods, and reaches stabilized annual sales.
- Downtown, or district, retail sales currently average \$88.40 per square foot of retail/restaurant occupied space (i.e., excludes spaces that do not generate sales taxes). With increased visitation driven by some of the major anchors (e.g., The Alley and The Fieldhouse), there is anticipated to be a 25

percent increase in existing-store/restaurant sales to \$110 per square foot (in 2016 dollars, but adjusted for inflation over time on the table) by the year 2023.<sup>1</sup>

- Sales tax revenues will be captured from existing state and local sales tax rates as well as the city's sales tax increase that occurred on October 1, 2016.
- The Car Collection is projected to generate 9,845 visitors per year based on the performance of facilities in similar locations. This equates to a base annual revenue of \$79,650 per year, or \$84,500 in 2018 and adjusted for inflation.
- The Stiefel Theatre is projected to grow in annual attendance by 1,165 people per year for the next ten years as a result of the addition of two event-nights per year accumulating to 20 additional event-nights by year 10, stabilizing after that. An assumed average ticket price of \$30 is used.
- The developer of The Alley predicts annual taxable retail sales of \$4,000,000 per year (in 2016 dollars) based on the performance of their Wichita and Hutchinson facilities. This figure is assumed in this model.

This previous table, however, includes only those taxes projected to be generated by the new hotel (sales taxes and transient lodging taxes) and by retail and restaurant merchants, including new and existing (sales taxes only). Based on actual sales taxes collected in the Downtown STAR Bond District in 2015, businesses classified as retailers and restaurants (there are no present hotels)<sup>2</sup> generated only 60 percent of those taxes. The other 40 percent of collections, therefore, must have come from businesses classified something other than retailing and dining.

The next table, therefore, adds that 40 percent "premium" into the dollars shown above. The 40 percent premium, however, is applied only to the growth in what are now the sales at existing stores and restaurants since that is the basis of the 40 percent premium today. While there is projected to be substantial increases in sales taxes generated at the new anchors for Downtown, it is not assumed here that the non-retail/non-dining sales taxes will grow commensurately with the growth of the anchors.<sup>3</sup>

The result is that the 20-year accumulation of funds in inflation-adjusted dollars would increase about ten percent, from \$50.8 million, above, to almost \$55.7 million, below.

---

<sup>1</sup> This projection is based in no small way on downtown being able to reach a city-wide average in retail and restaurant taxes per square foot. With the planned improvements and added anchors, it is reasonable to assume that downtown can "carry its weight" and this is broadly achievable with a 25 percent increase in sales in the three to four years after the streetscape improvements are completed on Santa Fe Street.

<sup>222</sup> Classified in State of Kansas records in the North American Industrial Classification System (NAICS) with codes 44 or 45 (both are for retail stores) or 722 (for lodging establishments).

<sup>3</sup> This may or may not be a "conservative" assumption. If taxes from businesses not classified as retail or dining increase with the overall projections, their growth will be much larger (i.e., 40% of a larger growth rate). On the other hand, growth in retail/dining and anchor sales might squeeze out or inhibit growth of non-retailers/non-restaurants, thus, diminishing, or at least not expanding, the share of taxes from these non-retailers/non-restaurants.

**Projected Sales and Transient Taxes Generated to Support STAR Bonds<sup>1</sup>**  
**Including Potential Tax Collections from Non-Retail/Dining Businesses**

	Hotel Rooms	Old Chicago & Hotel Restaurant	Save-A-Lot	Downtown Restaurants & Retail <sup>2,3</sup>	America's Crossroads Car Collection	Stiefel Theatre	The Alley	Non-Retail/Dining <sup>4</sup>	Total Eligible Taxes Generated
2017 Year 1	\$ -	\$ -	\$ 201,700	\$ 184,300	\$ -	\$ 6,100	\$ -	\$ 73,500	\$ 465,600
2018 Year 2	316,700	243,800	205,800	240,900	3,500	9,300	177,300	96,100	\$ 1,293,400
2019 Year 3	646,000	497,300	209,900	76,900	7,200	12,600	361,600	30,700	\$ 1,842,200
2020 Year 4	658,900	507,200	214,100	139,900	7,300	16,100	368,900	55,800	\$ 1,968,200
2021 Year 5	672,100	517,400	218,300	208,200	7,500	19,700	376,300	83,000	\$ 2,102,500
2022 Year 6	685,600	527,700	222,700	268,500	7,600	23,500	383,800	107,100	\$ 2,226,500
2023 Year 7	699,300	538,300	227,200	330,400	7,800	27,400	391,500	131,700	\$ 2,353,600
2024 Year 8	713,300	549,000	231,700	394,000	8,000	31,400	399,300	157,100	\$ 2,483,800
2025 Year 9	727,500	560,000	236,300	459,400	8,100	35,600	407,300	183,200	\$ 2,617,400
2026 Year 10	742,100	571,200	241,100	525,900	8,300	36,300	415,400	209,700	\$ 2,750,000
2027 Year 11	756,900	582,600	245,900	594,300	8,400	37,000	423,700	237,000	\$ 2,885,800
2028 Year 12	772,100	594,300	250,800	664,500	8,600	37,800	432,200	264,900	\$ 3,025,200
2029 Year 13	787,500	606,200	255,800	736,600	8,800	38,500	440,800	293,700	\$ 3,167,900
2030 Year 14	803,300	618,300	260,900	810,700	9,000	39,300	449,700	323,200	\$ 3,314,400
2031 Year 15	819,300	630,700	266,200	886,700	9,100	40,100	458,700	353,500	\$ 3,464,300
2032 Year 16	835,700	643,300	271,500	964,800	9,300	40,900	467,800	384,700	\$ 3,618,000
2033 Year 17	852,400	656,100	276,900	1,045,100	9,500	41,700	477,200	416,700	\$ 3,775,600
2034 Year 18	869,500	669,300	282,500	1,127,500	9,700	42,500	486,700	449,600	\$ 3,937,300
2035 Year 19	886,900	682,600	288,100	1,212,000	9,900	43,400	496,500	483,200	\$ 4,102,600
2036 Year 20	904,600	696,300	293,900	1,298,900	10,100	44,200	506,400	517,900	\$ 4,272,300
<b>Totals</b>	<b>\$ 14,149,700</b>	<b>\$ 10,891,600</b>	<b>\$ 4,901,300</b>	<b>\$ 12,169,500</b>	<b>\$ 157,700</b>	<b>\$ 623,400</b>	<b>\$ 7,921,100</b>	<b>\$ 4,852,300</b>	<b>\$ 55,666,600</b>

<sup>1</sup>Assumes the effective STAR Bond-eligible rates of 6.58% for transient guest tax and 8.3527% for state and local retail sales tax.

<sup>2</sup>Includes growth in sales/revenues of current downtown merchants and increased occupancies of currently vacant retail/dining spaces.

<sup>3</sup>Includes the additional revenue generated by the special sales tax effective October 1, 2016 and the sales generated at existing retailers from new visitors.

<sup>4</sup>The District presently generates 40% MORE sales taxes than a strict accounting of retail stores and restaurants indicates. These extra sales taxes are generated by business-to-business sales as well as from types of businesses not ordinarily classified as retail but which, nonetheless, collect sales taxes from some of their sales. An example might be a plumbing contractor who must collect sales taxes on the parts he/she installs, but not on the plumbing services themselves. This column assumes that such non-retail/restaurant sales taxes will grow at the same rate as sales at existing stores and restaurants--the "Downtown Retail" column.

## Purpose of this Report

Private and civic interests in the city of Salina, Kansas, are proposing several Downtown development projects aimed at revitalizing the city's historic commercial center. While Downtown Salina has retained its role as the city's center of employ-



retail and dining businesses closed or relocated beginning in the 1980s with growth that continues to this day in the broad geographic corridor defined by South 9<sup>th</sup> Street and Interstate 135. Shopping malls and “big box” retailers compete with Downtown’s specialty retailers, many of whom occupy historic commercial buildings dating from the late nineteenth and early twentieth centuries. Consequently, Downtown is not as vibrant as it once was or as it can become again.

Still, public and civic investments over the years have enabled Downtown to maintain much of its unique character and charm. As early as the 1980s, substantial streetscape and public realm upgrades were constructed, with much of that investment still obvious in 2016. More recent investments in arts, cultural, educational, and health care facilities have triggered renewed interest in more diverse Downtown economic and housing development. As a result, a group of local business leaders convened in 2014 to create the *Downtown Salina Revitalization Project*, a comprehensive development plan designed to redefine and rejuvenate the economy, culture, aesthetics, and vibrancy of Downtown Salina.



To facilitate development, the group created a single development entity, *Salina 2020*, in order to more efficiently and effectively negotiate the terms of the development plan. *Salina 2020* serves as a liaison between the City of Salina and the component developers of the various proposed projects involved in facets of the redevelopment plan.

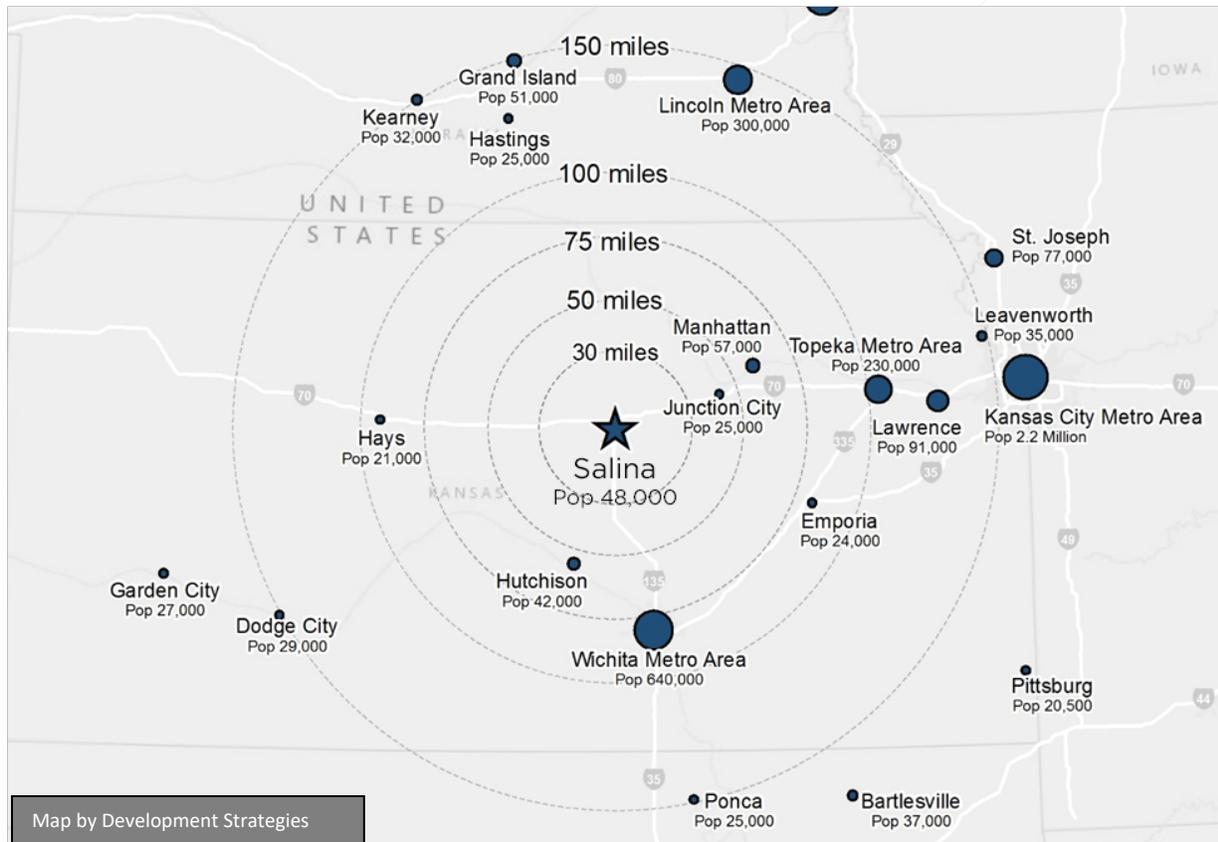
That plan forms the basis for the tax revenue projections of this report. The *Revitalization Plan* has a capital budget of approximately \$150 million consisting of several discrete projects plus streetscape and public realm improvements on Santa Fe Street, Downtown’s “main street.” Some of the financing for the plan is being pursued through the State of Kansas’ STAR (Sales Tax Revenue) Bond program which allows qualifying projects to use certain “net new” state and local sales taxes generated by economic growth within the Downtown STAR Bond District to pay for capital improvements.

The present study was commissioned by the City of Salina to make projections of potential incremental sales tax revenues that would likely be generated because of the various Downtown investments noted

herein. With those revenue projections, the City and its financial advisers will be able to determine the size of a potential bond issue (or series of bond issues) to raise up-front funding to support the planned projects and streetscape improvements. Bond buyers would be reimbursed over time using proceeds from eligible sales tax revenues.

STAR bonds are an instrument that “provide[s] Kansas municipalities the opportunity to issue bonds in order to finance the development of major commercial, entertainment and tourism areas and use the sales tax revenue generated by the development to pay off the bonds.”<sup>4</sup> A proposed project “must be capable of being characterized as a statewide and regional destination, and include a high quality innovation entertainment and tourism attraction, containing unique features which will increase tourism, generate significant positive and diverse economic and fiscal impacts and be capable of sustainable development over time.”<sup>5</sup>

## Salina Location and Nearest Cities



<sup>4</sup> Kansas Department of Commerce. *Guidance to STAR Bond Applicants*. Accessed October 1, 2016 from [www.kansascommerce.com/DocumentView.aspx?DID=75](http://www.kansascommerce.com/DocumentView.aspx?DID=75)

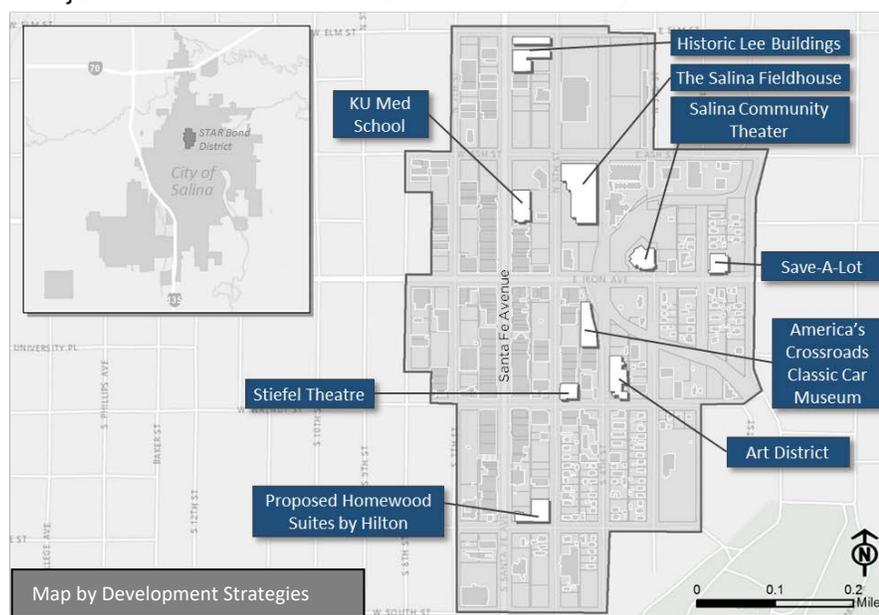
<sup>5</sup> Kansas Department of Commerce. *Guidance to STAR Bond Applicants*. Accessed October 1, 2016 from [www.kansascommerce.com/DocumentView.aspx?DID=75](http://www.kansascommerce.com/DocumentView.aspx?DID=75)

The map above shows Salina in relation to other cities and towns within 150 miles. These communities contain populations that can be attracted to the new facilities in Salina even though some have competitive or complementary facilities as proposed in the *Revitalization Plan*. This radius area, is a rough outline of a primary market area for Downtown Salina. Major population centers within 100 miles include Wichita, Manhattan, Hutchison, and Junction City within Kansas. Major population centers also within Kansas but more than 100 miles away include Topeka and Lawrence. The Kansas portion of the Kansas City metropolitan area is also within 150 miles. Lincoln, Nebraska, and the Missouri side of the Kansas City metro area are the closest large cities located in other states.

## Methodology for Projecting STAR Bond Tax Revenues

Development Strategies was commissioned by the City of Salina to conduct an independent analysis to determine likely projections of annual STAR Bond-eligible tax revenues for the STAR Bond district (the “district”) in Downtown Salina over the coming 20-year period.<sup>6</sup> Each of the major anchors noted on the accompanying map were individually evaluated for their ability to attract patronage and to increase district tax revenues from added and retained consumer spending for retail goods, dining, and entertainment.

Major Anchors within the STAR Bond District



Moreover, Development Strategies evaluated the potential impacts of the proposed streetscape improvements along Santa Fe Street<sup>7</sup> in re-attracting some Downtown retail and dining activity that is now taking place elsewhere in the city of Salina. That is, the streetscape improvements are expected to make the district more aesthetically pleasing and more functional for patrons, shoppers, and diners. In turn, this will increase the STAR Bond-eligible tax collections.

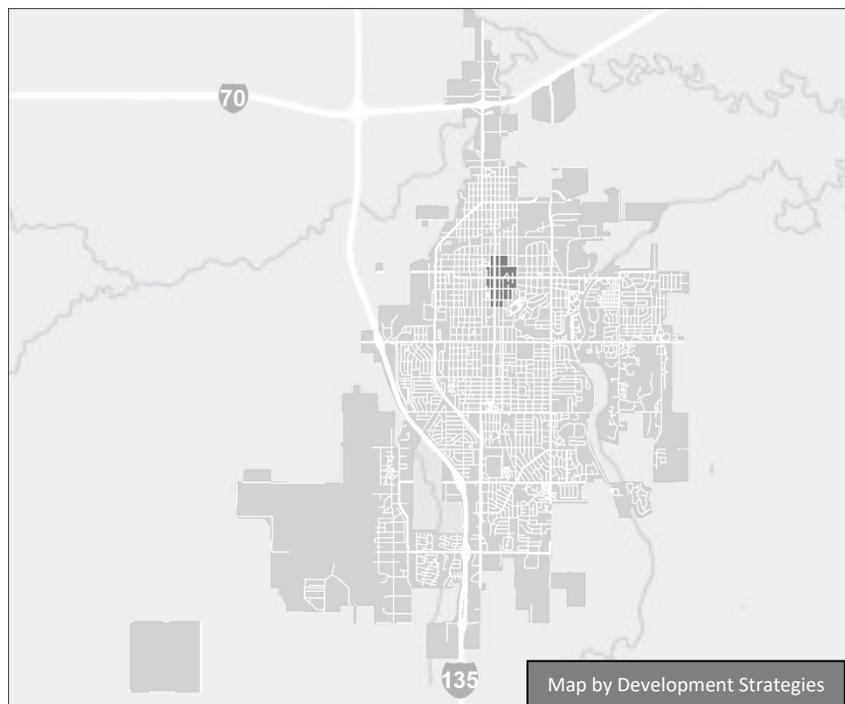
<sup>6</sup> For all intents and purposes, the STAR Bond District is co-terminus with what is generally considered Downtown Salina. In this report, “district” and “Downtown” are used interchangeably and are meant to refer to the same geographic area. Financing mechanisms for the *Revitalization Plan* also include a tax increment financing (TIF) district, which is also co-terminus with the STAR Bond District, but this report does not address TIF projections.

<sup>7</sup> These capital improvements are tentatively scheduled to begin in 2017 and continue through mid-2018.

While this projected growth in sales and their resulting taxes is projected to contribute to the district’s ability to repay bonded indebtedness, this report does not focus on potential re-occupancy of presently vacant or underutilized commercial floor area in the district. Instead, the report makes projections of increased sales and tax potential which can have the effect of increasing the “productivity” of existing businesses and might have the added benefit of encouraging additional business formation as well as re-occupancy of vacant or under-utilized buildings in the district. While higher occupancy is a goal of Salina 2020 and City officials, re-occupancy rates are not necessarily germane for the purposes of projecting future tax revenues.

## Profile of Salina

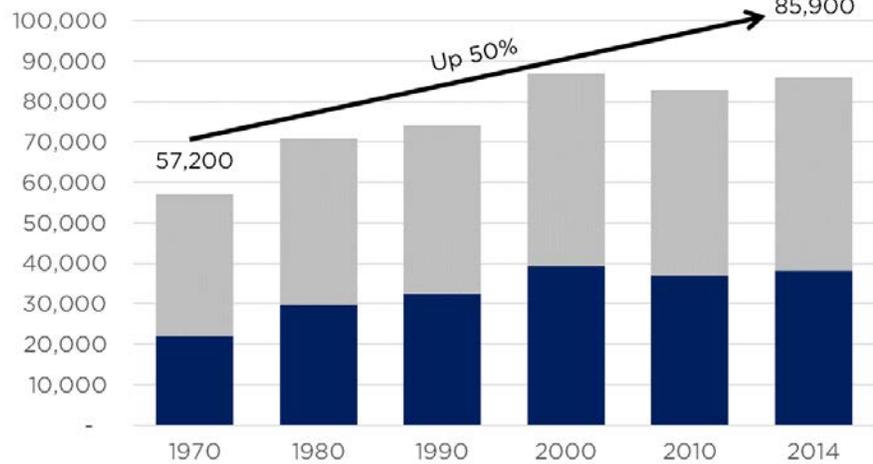
Salina, Kansas, is a medium-sized city located in the Smoky Hills region of the Great Plains. Originally a trading post located in what is now north-central Kansas, the city grew with the arrival of the railroad in the 1860s. Salina benefitted greatly from this new transportation network, which allowed it to expand its trade area for local agricultural products, chiefly wheat and other grains. The emphasis on agriculture led Salina to develop a manufacturing sector, first focused on grain milling and farm equipment, and later diversifying to include garment manufacturing, food production, and electronics. The manufacturing industry continues to anchor the Salina economy today.



Today, the city of Salina is home to approximately 48,000 residents. Since 2000, the city has added nearly 2,700 residents, increasing in population by 5.8 percent, but growing at a slower pace than the state of Kansas, which has grown by 10.1 percent between 2000 and 2015. Outside of the city, the region remains largely rural. About 35,000 additional residents live within 30 miles of Salina, many of whom travel to Salina for shopping, entertainment, and other needs. The nearest city of 25,000 or more people is Junction City (pop. 25,000), located 44 miles to the west along Interstate 70, and the nearest large city is Wichita (pop. 390,000, metro area 640,000), about 80 miles south along Interstate 135. Overall, Salina serves as one of north-central Kansas’ principal population and economic centers as the largest city within fifty miles. Its location along two major interstate highways, I-70 and I-135, makes it easily accessible to highway travelers and visitors.

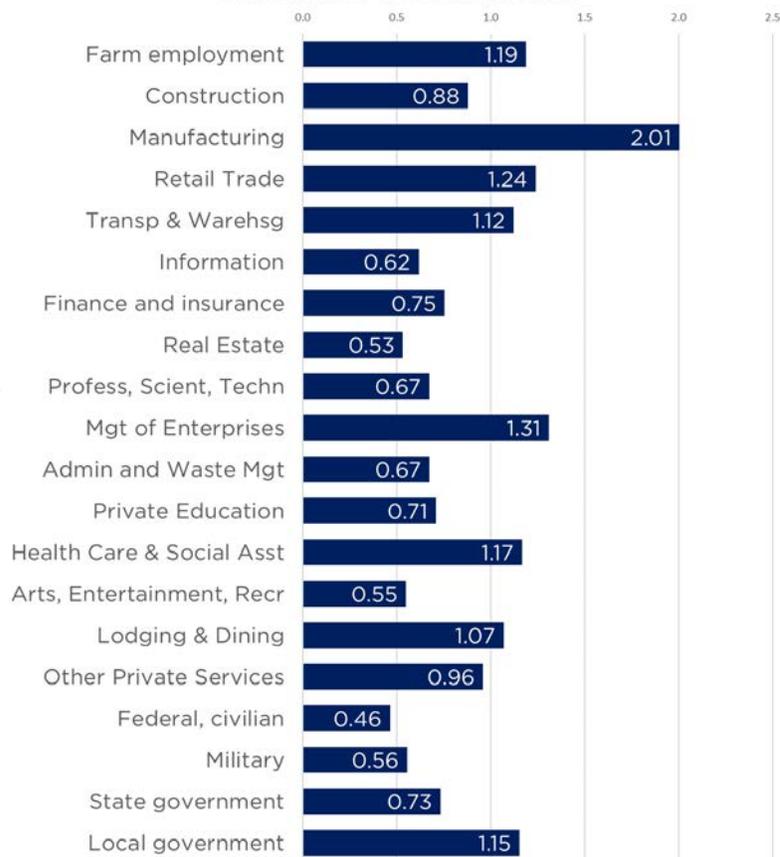
The economy of central Kansas has also expanded over the long term, and Saline County has increasingly emerged as the center of that economy. Between 1970 and 2014, according to records of the U.S. Bureau of Economic Analysis (BEA), jobs in Saline County and the six counties that border Saline County<sup>8</sup> increased by 50 percent.

Employment Growth in Saline and Six Adjacent Counties, 1970-2014  
U.S. Bureau of Economic Analysis



Meanwhile, Saline County alone increased jobs by 74 percent, a bit more than double the growth rate of the other six counties. In many ways, this reflects a pattern across the United States where cities are adding more jobs more quickly than rural areas. Saline County’s share of the seven-county jobs grew from 38 percent in 1970 to 44 percent in 2014, although this is down slightly from 45 percent in both 2000 and 2010.

Employment Location Quotients 2014 in Saline County, Kansas  
U.S. Bureau of Economic Analysis



As shown on the location quotients graph, manufacturing is the most significant economic sector in Saline County with a share of the county’s jobs about double the share of manufacturing jobs for the nation as a whole. Quite notably, however, the second highest location quotient is for jobs in the “management of companies and enterprises.” This indicates that

<sup>8</sup> Dickinson, Ellsworth, Lincoln, McPherson, Marion, and Ottawa counties.

Saline County<sup>9</sup> is home to a relatively large cohort of headquarters operations and the commensurate employment and talent associated with managing business operations. This is a further indication of above average leadership capacity in the county, which may be an important factor in the private sector initiatives leading to the proposed *Salina 2020 Revitalization Plan*.

Retail trade in Saline County ranks as the third most important sector when compared to the U.S. economy with a location quotient of 1.24.<sup>10</sup> Retail trade is a key indicator of the strength of the tourism economy. The other key indicator is the lodging and dining sector where Saline County's location quotient is a healthy 1.07. Both of the LQs demonstrate that Saline County attracts more spending for retail and dining, as well as more overnight travelers, than its own population can support. In other words, Saline County is already a tourism destination but the LQs are modest, at best, suggesting that a substantial amount of additional tourism destinations can be supported.

Farm employment in Saline County ranks as the fourth most significant jobs sector when compared to the American economy in 2014. In fact, in relative terms, farming has become more important in Saline County, or hasn't declined as much as in the entire nation. The farm employment location quotient for 2014 was 1.19 which is considerably higher than 0.52 in 1970. In other words, Saline County has actually become more important in the nation's agricultural sector, in relative terms, than in the past.

Manufacturing, meanwhile, increased its location quotient in Saline County from 1.04 in 1970 (virtually the same share of jobs in the county as in the entire nation) to 2.01 in 2014, thus becoming much more important in the nation's manufacturing sector. Of course, a great deal of Saline County's manufacturing economy is dependent on agricultural production, but by no means fully depending on agriculture.

In short, with only one location quotient current exceeding 2.0 and several that are very close to 1.0, Saline County's economy reflects a healthy diversity which contributes to its ability withstand national economic downturns better than other locations and also its ability to adapt more quickly to new economic growth opportunities.

---

<sup>9</sup> The "best" local economic data in the U.S. is maintained over time at the county level. That's why the emphasis here is on the county's economy. Salina, of course, is the biggest incorporated area within Saline County so, by extension, a very high proportion of the economic prowess of Saline County is captured with the city of Salina.

<sup>10</sup> If the share of jobs in a sector in Saline County was the same share as in the entire nation, the location quotient would be 1.0. Because the farm share in the county is a little higher than in the U.S.A., the location quotient is above 1.0. Sectors that are substantially above 1.0 indicate particular local economic strengths, but also can demonstrate vulnerabilities if there are economic downturns affecting those sectors more than others. Sectors with location quotients less than 1.0 are considered primarily dependent on local economic activities while those with LQs exceeding 1.0 are generally those that export much, or even most, of their production to other parts of the country or world.

## The Proposed Downtown Revitalization Projects

A diverse collection of tourism and recreation attractions is planned that are intended to anchor the Downtown Salina STAR Bond district and draw a greater number of visitors to the city. These visitors, in turn, are expected to generate sales tax revenue as they shop, dine, and pay entrance fees at district destinations—including existing merchants as well as future businesses that could open in presently vacant or under-utilized space. The specifically planned attractions proposed by the Salina 2020 advocates are those illustrated to the right.

These components are described herein along with their projected ability to generate STAR Bond-eligible tax revenues generating implications.

THE SALINA FIELDHOUSE



NEW RETAIL DEVELOPMENT



THE ALLEY



NEW PLANNED HOUSING DEVELOPMENT



AMERICAN CROSSROADS CAR COLLECTION



NEW PLANNED INSTITUTIONAL DEVELOPMENT



STIEFEL THEATRE FOR THE PERFORMING ARTS



ENHANCED DOWNTOWN STREETScape



HOMewood SUITES BY HILTON



SPILL OVER GROWTH FROM DEVELOPMENT



## The Salina Fieldhouse

### Context and Overview

One of the largest single components of the STAR Bond district, the Salina Fieldhouse, will be located at the southeast corner of Fifth and Ash Streets. Presently under construction, the venue will consist of 67,000 square feet of athletic competition space, a welcoming area, offices, concessions, patron seating, and team rooms. The facility will be able to accommodate up to six hardwood basketball courts and eight hardwood volleyball courts. A turf field with batting cages and pitching tunnels will also be available. The Fieldhouse is designed to host local and regional sports tournaments that draw from a large, multi-state market area as well as local team practices and, when available, public use.

The Fieldhouse is being built at a time when youth participation in team sports is at an all-time high.<sup>11</sup> Estimates by the Sporting Goods Manufacturers Association show that nearly 70 percent of children ages six to 17 participate in formal team sports. This expansion has been mirrored by a growth in youth sports tourism, in which teams travel to sports facilities in other cities in order to compete in organized tournaments with a wider range of other athletes. In fact, youth sports tourism is the fastest-growing segment in travel.<sup>12</sup> The National Association of Sports Commissions estimates that approximately \$9.5 billion in spending was generated by sport event tourism in 2015, a 14 percent increase since 2012.<sup>13</sup> A great deal of the economic impact of sports-based tourism comes from the spillover effects generated by visitors, especially overnight visitors, who make use of destination accommodations, retail stores, restaurants, and entertainment facilities, especially those catering to families and children.

Indeed, a stated goal of the Salina Fieldhouse is to “establish itself as a regional tournament and event destination and create positive economic impact by driving visits, hotel room nights, and direct spending from non-local athletes and their families.”<sup>14</sup>

### Competitive Supply

Within 125 miles of Salina, there are five facilities that host youth basketball and volleyball tournaments that are ostensibly comparable to the proposed Salina Fieldhouse. There are also a number of larger facilities, including the Bicentennial Center in Salina itself and various arenas in other cities, that accommodate larger tournaments and a greater number of spectators, but these are not expected to compete directly with the Salina Fieldhouse. They are, of course, considered complementary to smaller facilities like the Fieldhouse because much larger tournaments can utilize both types of facilities simultaneously, if necessary.

---

<sup>11</sup> Traverse City Area Chamber of Commerce. *Game On! The Impact of Youth Sports on a Regional Economy*. September 18, 2012. Accessed September 30, 2016 at <http://tcchamber.org/wp-content/uploads/2012/10/YouthSportsReport.pdf>.

<sup>12</sup> Koba, Mark. Spending Big on Kids' Sports? You Are Not Alone. *CNBC Online*. January 13, 2014. Accessed September 30 at <http://www.cnbc.com/2014/01/13/youth-sports-is-a-7-billion-industryand-growing.html>

<sup>13</sup> National Association of Sports Commissions. *Sport Tourism: A State of the Industry Report*. April 2016. Accessed September 30, 2016 at [https://www.sportscommissions.org/Portals/sportscommissions/Documents/About/ST\\_report\\_16\\_rev4.pdf](https://www.sportscommissions.org/Portals/sportscommissions/Documents/About/ST_report_16_rev4.pdf).

<sup>14</sup> Sports Facilities Advisory, LLC. *Feasibility Summary Report for the Salina Field House*. January 2016.

## Wichita

The closest and most comparable athletic complex is Wichita Hoops, which opened in two 50,000 square foot phases in 2014 and 2016.<sup>15</sup> The privately-owned facility can be configured for 12 basketball courts or 14 volleyball courts with electronic scoreboards, a strength and conditioning room, and two food courts. The facility hosts 20 to 25 tournaments annually, with plans to grow to 30.<sup>16</sup>

There are also two more comparable facilities in Wichita—the Wichita Sports Forum and the YMCA Farha Sports Centers. The Wichita Sports Forum is a recent addition, built in 2015, also with funding through STAR Bonds.<sup>17</sup> The 148,000-square foot facility has six basketball courts, 18 volleyball practice courts, one turf field for soccer, football, and baseball/softball, an athletic conditioning facility, and a 20,000-square foot trampoline park. In 2017, the Sports Forum is scheduled to host eight volleyball tournaments and 30 basketball tournaments, with anywhere from 30 to 120 teams per tournament.<sup>18</sup>

The Farha Sports Centers are operated by the YMCA at two of its branches in Wichita. The first Farha Sports Center opened at the South Branch of the YMCA in 2007 and expanded in 2012 by adding eight basketball courts. The second Farha Sports Center, with four full-sized basketball courts and eight volleyball courts, was added to the Andover YMCA in 2015.<sup>19</sup> The two facilities, operated together, total 128,500 square feet and feature 32 hardwood courts for basketball and volleyball, and six turf fields. The Farha Sports Centers host 42 to 45 events per year in a mixture of the YMCA's own tournaments and tournaments managed by outside leagues and organizations.<sup>20</sup>

## Topeka

In Topeka, the Sports Zone provides a venue for basketball and volleyball tournaments, totaling about ten weekend tournaments per year. Opened in 2001, the complex houses six volleyball courts, four basketball courts, six indoor soccer fields, and four outdoor football fields. The facility hosts its own basketball tournaments as well as outside club volleyball tournaments.<sup>21</sup>

## Lawrence

---

<sup>15</sup> Wichita Hoops. "About Us." Accessed October 20, 2016 from <http://www.wichitahoops.com/about-us/>.

<sup>16</sup> Phone conversation with Carlos Perez, General Manager, Wichita Hoops. November 1, 2016.

<sup>17</sup> Kansas Department of Commerce. *2015 STAR Bonds Annual Report*. February 16, 2016. Accessed October 20, 2016 from [http://www.kslegislature.org/li/b2015\\_16/committees/ctte\\_s\\_cmrc\\_1/documents/testimony/20160216\\_05.pdf](http://www.kslegislature.org/li/b2015_16/committees/ctte_s_cmrc_1/documents/testimony/20160216_05.pdf).

<sup>18</sup> Email from Drew Johnson, League Tournament Director & Facility Manager, Wichita Sports Forum. November 1, 2016.

<sup>19</sup> Sullivan, Beth. "YMCA Breaks Ground on Andover Sports Complex." *The Butler County Times-Gazette*. November 8, 2014. <http://www.butlercountytimesgazette.com/article/20141108/news/141109481>.

<sup>20</sup> Phone conversation with Josh Whitson, Director of Sports Initiatives, Farha Sports Center. October 28, 2016.

<sup>21</sup> Phone conversation with Theresa Knapp, Topeka SportZone, October 31, 2016.

The fifth comparable facility within 125 miles of Salina is the Lawrence Sports Pavilion at Rock Chalk Park, a city-managed recreation center that opened in 2014 with eight full-size basketball or 16 volleyball courts, an indoor soccer/sports arena, indoor walking/jogging track, weight and cardio rooms, meeting rooms, and concessions.<sup>22</sup> The facility typically hosts between 30 and 40 tournament events per year, of which half are typically basketball tournaments and half volleyball tournaments. Smaller weekend tournaments tend to have as few as 40 teams, but the facility has hosted as many as 295 teams at a single tournament over several days.<sup>23</sup>

## Nearest Comparable Facilities



Given the number of tournaments hosted at these comparable facilities, it is clear that a large market for basketball and volleyball competitions exists within central Kansas. But the closest facility that can host these types of events is Wichita Hoops, which is a distant 73 miles from Salina. Therefore, it is sensible to assume that Salina will be able to capture a portion of tournament demand, especially from

<sup>22</sup> Lawhorn, Chad. "City Sets Grand Opening Date for Rock Chalk Park Recreation Center." *Lawrence Journal-World*. September 9, 2014. <http://www2.ljworld.com/news/2014/sep/09/city-sets-grand-opening-date-rock-chalk-park-recre/>.

<sup>23</sup> Phone conversation with Chad Tower, Facilities Operations Supervisor, Sports Pavilion Lawrence. November 2, 2016.

communities within 75 miles of Salina, or communities to the west and the north, where no comparable facilities exist.

Summary Information: Most Comparable Athletic Complexes to the Salina Fieldhouse							
Name	Year Opened	Facilities/ Description	Tournaments per Year	Teams per Tournament	Percent non-local teams	Size (Sq. Ft.)	Distance from Salina (Miles)
<b>The Salina Fieldhouse</b> <i>Subject</i>	Planned 2017	Indoor sports facility with six hardwood basketball courts and eight hardwood volleyball courts, a turf field with batting cages, a welcoming area, offices, concessions and seating, and team rooms.	18 in year one, growing to 26 in year five	37 in year one, growing to 46 in year five, with 8 to 12 players per team	68%	67,000	--
<b>Wichita Hoops</b> <i>Wichita, KS</i>	2014 (Phase I)  2016 (Phase II)	Privately-owned facility with 12 basketball courts or 14 volleyball courts with electronic scoreboards, strength and conditioning room, and two food courts.	20 to 25 basketball and volleyball tournaments, with plans to grow to 30	Depends on tournament type, but can be as high as 64 to 128 teams for outside tournaments, with 8 to 12 players per team	As high as 95%	100,000 (50,000 in Phase I & 50,000 in Phase II)	73
<b>Wichita Sports Forum</b> <i>Wichita, KS</i>	2015	Indoor sports facility with 6 basketball courts, 18 volleyball practice courts, 1 turf field for soccer, football, and baseball/softball, conditioning facility, and trampoline park.	30 basketball tournaments and 8 volleyball tournaments	Between 30 and 120 teams per tournament, with between 7 and 14 players per team.	Heart of America Tournament 20%  JVA Tournament 60%  Basketball 10% - 25%	148,000	81

Summary Information: Most Comparable Athletic Complexes to the Salina Fieldhouse

Name	Year Opened	Facilities/ Description	Tournaments per Year	Teams per Tournament	Percent non-local teams	Size (Sq. Ft.)	Distance from Salina (Miles)
<b>YMCA Farha Sports Centers Wichita &amp; Andover, KS</b>	2007 & 2015	There are two Farha Sports Centers located at two Wichita-area YMCA branches. The centers are dedicated to indoor sports and together feature 32 hardwood courts for basketball and volleyball, and six turf fields.	42 to 45 tournaments per year, a mix of YMCA and outside competitions.	Depends	Ranges from 0% non-local to 30%	128,500 (63,500 & 65,000)	83
<b>Sport Zone Topeka, KS</b>	2001	Indoor sports facility with 6 volleyball courts, 4 basketball courts, 6 indoor soccer fields, and 4 football fields. The facility hosts its own basketball tournaments as well as outside club volleyball tournaments.	10 weekend tournaments per year	--	Most teams are Kansas-based, about 50% are non-local	98,000	104
<b>Lawrence Sports Pavilion at Rock Chalk Park Lawrence, KS</b>	2014	City managed recreation center with 8 full-size basketball or 16 volleyball courts, indoor soccer/sports arena, indoor walking/jogging track, weight and cardio rooms, meeting rooms, and concessions.	30 to 40 tournaments per year, about half volleyball and half basketball	Between 40 and 250 teams per tournament	About 80% of teams are non-local	181,000	125

### Market Demand

The Salina Fieldhouse is anticipated to host a mix of local and non-local sports activities. Unlike the other proposed project anchors in Downtown Salina, the Fieldhouse is not expected to generate significant amounts of on-site tax revenues to repay the STAR Bonds. Rather, it is intended to be an attraction for Salina that will lead to spillover spending by visitors at Downtown retailers, restaurants, entertainment centers, and the hotel. Thus, it is very important to project the number of such visitors and their potential Downtown spending power.

Projected numbers of local and non-local visitors were estimated based on prior work by Sports Facility Advisory/Sports Facility Management (SFA/SFM),<sup>24</sup> a strategic and master planning consulting firm specializing in the development and management of sports and recreational facilities, as well as qualitative and quantitative data collected by Development Strategies from managers of similar facilities to confirm or adjust key assumptions.

Two groups of visitors to the Salina Fieldhouse were considered:

**Local, non-event participants:** Individuals and families using the Fieldhouse for the purpose of local league games, basketball/volleyball academies, practice, open gym, and other year-round athletic programming.

**Local and non-local event visitors:** Teams and their guests visiting the Fieldhouse to participate in tournaments and other formal events typically lasting two to three days.

An increase in **local visitors** to Downtown Salina as a result of increased activity due to the Fieldhouse is not expected to have a large overall impact on sales tax revenue within the STAR Bonds district. Local visitors are likely to patronize businesses and restaurants based on the attractiveness of those particular destinations rather than because they are spending more time in the Downtown area. These are consumers who are also quite familiar with other retail and restaurant offerings throughout Salina, so they are assumed not to be “captured” by Downtown as much as non-local visitors. Though a small amount of spillover demand for retail and restaurants should be expected by increasing the amount of Downtown activity, these Downtown merchants will need to compete for these customers on the strength of their offerings to pull in patrons who might otherwise go elsewhere within Salina.

**Non-local visitors**, on the other hand, are expected to have a much greater impact on Downtown tax revenue generation. The convenience of Downtown Salina attractions will lead to a considerable portion of spending taking place within the STAR Bond district. Moreover, they bring “new money” into Salina. That is, since they are not from the local area, they are bringing dollars into the community—and spending power into the Downtown area—from outside of the city and outside of Downtown.

Non-local visitation estimates are based on the number of tournaments and the number of teams per tournament that the Salina Fieldhouse can be expected to host. These estimates were independently developed by the Salina Parks and Recreation Department and SFA/SFM as part of the Salina Fieldhouse *Feasibility Summary Report* released in January 2016. Telephone and internet research by Development Strategies confirms that these estimates are reasonable, if a little conservative especially over the longer run.

Tournaments, teams per tournament, and visitors per team (e.g., athletes, coaches, family members) are based on a number of factors, including area demographics, supply of competitive facilities, demand for tournament-hosting facilities, and SFA/SFM’s experience with the facilities that they manage. The estimate of the number of tournaments that the facility will be able to host is intended to guide operations for the first five years and is, therefore, treated as both an estimate and a provisional business

---

<sup>24</sup> Sports Facility Advisory/Sports Facility Management (SFA/SFM). *Feasibility Summary Report: Salina Field House*. January 2016.

plan.<sup>25</sup> According to the *Feasibility Summary Report*, the Fieldhouse will host 18 tournaments with 37 teams in its first year of operations, increasing to 26 tournaments with 46 teams in its fifth year of operations. A survey of comparable facilities indicated that similar facilities in Kansas are hosting between ten and 45 weekend tournaments per year, with a low of 30 teams per tournament and a high of 250 teams per tournament. While the total number of tournaments and teams will ultimately be determined by management efforts, these numbers seem realistic, given the number of tournaments hosted at comparable facilities. The number of tournaments per year and number of teams per tournament is shown in the table below.

BASELINE ASSUMPTIONS for SALINA FIELDHOUSE TOURNAMENTS					
Source: Sports Facility Advisory/Sports Facility Management					
	Year One (2017-2018)	Year Two (2018-2019)	Year Three (2019-2020)	Year Four (2020-2021)	Year Five (2021-2022)
Number of Tournaments	18	21	23	24	26
Number of Teams per Tournament	37	40	42	44	46
<b>Total Number of Teams at All Tournaments</b>	<b>666</b>	<b>840</b>	<b>966</b>	<b>1,056</b>	<b>1,196</b>

According to SFA/SFM, about 32 percent of teams attending tournaments at the Salina Fieldhouse will be local (originating in Salina) while the remaining 68 percent will be non-local (originating outside of Salina).<sup>26</sup> Based on Development Strategies interviews with facility managers in other markets, the proportion of local teams tends to be higher in larger cities where there is a larger market to draw from. For example, at the Farha Sports Centers in Wichita, the number of non-local teams can range from zero to thirty percent of teams, given the tournament (the YMCA hosts a large number of intra-city competitions).<sup>27</sup> At the Sport Zone in Topeka, the number of local and non-local teams likewise varies, with an average of about half non-local teams and half local teams.<sup>28</sup> Two of the previously noted facilities, the Lawrence Sports Pavilion and Wichita Hoops, draw high percentages of non-local teams, ranging from 80 percent to 95 percent of all teams, in some cases. Outside of Kansas at the Round Rock Sports Center, an 83,000-square foot basketball- and volleyball-focused indoor sports facility located in a suburb of Austin, Texas, the number of non-local teams ranges from 30 percent to up to 70 percent (for regional and national competitions), with an average of about 50 percent local teams.<sup>29</sup>

<sup>25</sup> Conversation with Steve Hardesty from the Parks & Recreation Department, October 20, 2016.

<sup>26</sup> Sports Facility Advisory/Sports Facility Management (SFA/SFM). *Feasibility Summary Report: Salina Field House*. January 2016.

<sup>27</sup> Phone conversation with Josh Whitson, Director of Sports Initiatives, Farha Sports Center. October 28, 2016.

<sup>28</sup> Phone conversation with Theresa Knapp, Topeka SportZone, October 31, 2016.

<sup>29</sup> Phone conversation with Evan Sanders, Sports Event Manager, Round Rock Sports Center. October 26, 2016.

Given Salina’s relatively small pool of local teams, it is reasonable to assume that Salina will draw at least 68 percent of its tournament teams from outside of Salina, placing Salina in the mid-range of comparable facilities.

Estimates of Non-Local Teams Participating in Events at Facilities Comparable to the Salina Fieldhouse	
Name	Percent non-local teams
The Salina Fieldhouse <i>Subject</i>	68%
Wichita Hoops <i>Wichita, KS</i>	As high as 95%
Wichita Sports Forum <i>Wichita, KS</i>	20% (Heart of America Tournament) 60% (JVA Tournament) 10% - 25% (Basketball Tournaments)
YMCA Farha Sports Centers <i>Wichita &amp; Andover, KS</i>	0% - 30%
Sport Zone <i>Topeka, KS</i>	About 50%
Lawrence Sports Pavilion at Rock Chalk Park <i>Lawrence, KS</i>	About 80%

The table below gives teams per tournament broken out into non-local and local teams.

Share of Local and Non-Local Teams Projected to Participate in Events at the Salina Fieldhouse, First Five Years					
	Year One (2017-2018)	Year Two (2018-2019)	Year Three (2019-2020)	Year Four (2020-2021)	Year Five (2021-2022)
<b>Total Number of Teams at All Tournaments</b>	<b>666</b>	<b>840</b>	<b>966</b>	<b>1,056</b>	<b>1,196</b>
Non-Local Teams <i>(68 Percent)</i>	450	567	667	720	806
Local Teams <i>(32 Percent)</i>	216	273	299	336	390

From the number of teams, the number of athletes that can be attracted to the Salina Fieldhouse is estimated below. The expected number of players per team for youth basketball and volleyball teams can be expected to range from eight to twelve players. This range is based on interviews with facility managers at the comparable facilities.

**Number of Team Players Projected to Participate in Tournaments at the Salina Fieldhouse, First Five Years**

	Year One (2017-2018)	Year Two (2018-2019)	Year Three (2019-2020)	Year Four (2020-2021)	Year Five (2021-2022)
<b>Non- Local Teams</b>					
Low Estimate <i>8 Players per Team</i>	3,600	4,536	5,336	5,760	6,448
High Estimate <i>12 Players per Team</i>	5,400	6,804	8,004	8,640	9,672
<b>Local Teams</b>					
Low Estimate <i>8 Players per Team</i>	1,728	2,184	2,392	2,688	3,120
High Estimate <i>12 Players per Team</i>	2,592	3,276	3,588	4,032	4,680

In addition to the participants themselves, each team is expected to travel with coaches, family members, and friends. SFA/SFM estimates that each team player will bring between 1½ and three visitors each.<sup>30</sup> For the purposes of being conservative, this report assumes a low value of 1½ and a high value of 2½ additional visitors per participant per tournament. This is similar to the methodology used by the Lawrence Sports Pavilion at Rock Chalk Park, which estimates an average of 2½ “spectators” per team member (including coaches) over the course of a tournament for all participants at both local and non-local events.<sup>31</sup> This gives a lower limit of twelve additional spectators for a small team (eight participants) and an upper limit of 30 visitors for a large team (twelve participants).

These assumptions were added to the total participants per team above to find the total number of visitors to Salina per year for the number of expected tournaments, as shown on the following table. In sum, the number of people associated with a team, including team members, coaches, and other spectators, ranged from twenty on the low end to forty-two on the high end.

<sup>30</sup> Sports Facility Advisory/Sports Facility Management (SFA/SFM). *Feasibility Summary Report: Salina Field House*. January 2016.

<sup>31</sup> Phone conversation with Chad Tower, Facilities Operations Supervisor, Sports Pavilion Lawrence. November 2, 2016.

**Total Number of Visitors Projected to Participate in Tournaments at the Salina Fieldhouse, First Five Years (Players, Coaches, Family Members, Other Spectators)**

	Year One (2017-2018)	Year Two (2018-2019)	Year Three (2019-2020)	Year Four (2020-2021)	Year Five (2021-2022)
<b>Non- Local Teams</b>					
<i>Low Estimate</i>					
20 total visitors per team (8 team members and 12 spectators)	9,000	11,340	13,340	14,400	16,120
<i>High Estimate</i>					
42 total visitors per team (12 team members and 30 spectators)	18,900	23,814	28,014	30,240	33,852
<b>Local Teams</b>					
<i>Low Estimate</i>					
20 total visitors per team (8 team members and 12 spectators)	4,320	5,460	5,980	6,720	7,800
<i>High Estimate</i>					
42 total visitors per team (12 team members and 30 spectators)	9,072	11,466	12,558	14,112	16,380

The SFA/SFM *Feasibility Summary Report* estimates that each tournament lasts an average of three days, so the number of visitors is multiplied by three in order to arrive at the number of visitor-days to Salina as a result of tournaments. Based on an interview with Josh Whitson, the Director of Sports Initiatives for the Greater Wichita YMCA, an estimation of an average of two days per event may be more reasonable (as well as conservative for purposes of ultimately projecting STAR Bond-eligible tax revenues). Since the planned events will take place on weekends and involve travel, modeling created for this report assumes an average event length of two days per event. The following table shows the total number of visitor-days based on the assumptions in the previous tables. This estimation is slightly more conservative than the estimates provided in the *Feasibility Summary Report* because of a reduction in the number of spectators per participant and the average duration of stay.

Annual “Visitor-Days” Projected to be Generated by Formal Events at the Salina Fieldhouse, First Five Years

	Year One (2017-2018)	Year Two (2018-2019)	Year Three (2019-2020)	Year Four (2020-2021)	Year Five (2021-2022)
<b>Non- Local Teams</b>					
<i>Low Estimate</i>					
20 total visitors per team	18,000	22,680	26,680	28,800	32,240
<i>High Estimate</i>					
42 total visitors per team	37,800	47,630	56,030	60,480	67,700
<b>Local Teams</b>					
<i>Low Estimate</i>					
20 total visitors per team	8,640	10,920	11,960	13,440	15,600
<i>High Estimate</i>					
42 total visitors per team	18,140	22,930	25,120	28,220	32,760

**STAR Bond-Eligible Tax Revenue Implications**

**Local Visitors**

The Salina Fieldhouse is designed to provide recreational facilities for Salina residents as well as serve as an economic development tool by attracting visitors and money from outside of Salina. It is assumed, however, that local residents will generate a relatively fixed overall level of spending at Salina restaurants, retailers, and entertainment venues. But the location of this spending (Downtown vs. elsewhere, one restaurant vs. another) is constantly influenced by the attractiveness and familiarity of one location versus another.

Two types of local visitors are discussed here: non-event visitors and event visitors.

- As a recreational facility primarily serving local residents during the week, the Salina Fieldhouse will attract local residents through its general athletic programming with weekly classes, practices, open gym, and other year-round activities. Details about this programming and anticipated visitorship will be determined by the Salina Parks and Recreation Department and the potential number of non-event visitors has not been estimated. It is expected that the Downtown economic impact of these visitors will be fairly minimal, since there will be limited reasons for families with children to linger downtown before or after weekday and weeknight practices or activities.
- During event weekends, the Fieldhouse will attract local teams to compete in tournaments. As noted above, Downtown should host between 8,600 and about 18,100 local event visitors in year one, growing to between 15,600 and 32,800 event visitors in year five. These visitors will represent a combination of participants, family, and friends. It is possible that some of the spectators associated with local teams may originate from outside of Salina (for example, grandparents or friends), but the

proportion of non-local spectators was not estimated. Compared to non-event visitors, event visitors may generate a greater amount of spillover spending Downtown, especially if Fieldhouse events keep participants and spectators Downtown for longer periods of time or if they are hosting out-of-town spectators. Overall, these visitors are not expected to generate a large amount of net new spending within the City of Salina (after all, they already live in the city and spend their money in the city), although the increase in activity and attractions Downtown could lead to a small shift in spending away from other parts of Salina to the Downtown area.

Overall, the economic and tax impact of local visitors to Salina Fieldhouse events was not explicitly estimated for the purposes of this report. Though that overall economic impact may be small citywide, this increase in Downtown activity will surely lead to some spillover spending at Downtown merchants.

### Non-Local Visitors

Averaging the low and high estimates of Salina Fieldhouse non-local visitor-days gives an estimate of about 27,900 visitor-days in year one, growing to 50,000 visitor-days in year five. These visitors are expected to stay in local hotels during tournaments.<sup>32</sup> It is assumed that the number of team members (i.e., players) will be equivalent to the number of hotel rooms per night.<sup>33</sup> In total, therefore, the Salina Fieldhouse is projected to generate demand for approximately 9,300 hotel room-nights in year one, growing to 16,700 hotel room-nights in year five.

Visit Salina, the division of the Salina Chamber of Commerce that focuses on visitor services, estimates that the average traveler visiting Salina for youth sports or cultural amenities spends approximately \$89 per day when in Salina, excluding the cost of travel to and from Salina. Of this, a portion is spent on lodging. Smith Travel Research data, provided by Visit Salina, indicates that average daily revenue at Salina hotels was \$73.71 for the year ending in August 2016.<sup>34</sup> Adding transient and sales tax rates of 15.45 percent brings the total average cost of a hotel room to \$85.

In the case of the Salina Fieldhouse, families and teammates are assumed to share hotel rooms, at an assumed average of three people per room. At \$89 in average total spending per visitor per day, an \$85 hotel room split between three people accounts for about 32 percent of daily spending, or approximately \$28.33 per person per night. This leaves \$60.67 per person for meals, shopping, entertainment, and other incidentals per visitor day.<sup>35</sup>

Of the almost \$61 in non-lodging spending per non-local visitor per day, nearly all of it will likely fall into categories that generate taxable sales, such as food and beverage (both in restaurants and at grocery

---

<sup>32</sup> Some of these non-local visitors may be able to “commute” on a daily basis to the tournaments, but the assumption is that this would be such a small percentage of visitors that it can be ignored as long as other assumptions remain conservative.

<sup>33</sup> This assumes that, say, a single family representing one player in the tournament shares a hotel room. Thus, a team with eight players will occupy eight hotel rooms for each night that the team is in Salina.

<sup>34</sup> Smith Travel Research. *Hotel Occupancy Report*, August 2016.

<sup>35</sup> This is comparable to the federal government per diem allowance for Salina, which is \$91 per night for lodging (single occupancy) and \$51 for meals and incidentals. U.S. General Services Administration. *Fiscal Year Per Diem Rates for Kansas*. Accessed November 1, 2016 from <http://www.gsa.gov/portal/category/100120>.

stores), retail, and entertainment. The impact of this visitor spending is shown in the table below, with estimated new revenues broken out by hotel and other (meals, retail, and entertainment) categories. The approximate increase in spending at Salina hotels is expected to increase from \$263,000 in year one to \$472,000 in year five, increasing demand not just at the new Downtown hotel, but in hotels throughout Salina. Likewise, total new spending by non-local guests on meals, retail, and entertainment will increase from almost \$1,693,000 in year one to almost \$3,032,000 in year five. The potential for this new spending to be captured within the STAR Bond district is discussed in the following paragraph.

Taxable Spending Generated by Non-Local Fieldhouse Visitors Throughout the City of Salina, First Five Years (2016 Dollars) <sup>36</sup>					
	Year One (2017-2018)	Year Two (2018-2019)	Year Three (2019-2020)	Year Four (2020-2021)	Year Five (2021-2022)
Estimated Visitor-Days (Midrange)	27,900	35,154	41,354	44,640	49,972
Hotel Room Nights Generated	9,300	11,718	13,782	14,880	16,657
Hotel Room Spending per Person (Average)			\$28.33		
Meals, Retail, Entertainment & Other Spending per Person (Average)			\$60.67		
Total Spending Generated at Hotels	\$263,469	\$331,971	\$390,520	\$421,550	\$471,902
Total Spending Generated at Restaurants, Retailers, and Entertainment Venues	\$1,692,693	\$2,132,793	\$2,508,947	\$2,708,309	\$3,031,801
Total Additional Visitor Spending Impact (all of Salina)	\$1,956,162	\$2,464,764	\$2,899,467	\$3,129,859	\$3,503,703

The influx of between 13,950 (year one) and 25,000 (year five) visitors, staying for an average of two nights each, will generate demand for between 9,300 (year one) and 16,700 (year five) hotel room-nights throughout Salina, with a percentage of those guests captured at the new Downtown Homewood Suites by Hilton (discussed later in this report).

Likewise, these increases in non-local visitor activity triggered by the Fieldhouse alone are also expected to increase revenue at downtown restaurants, retailers, and entertainment venues. According to taxable sales data provided by the Kansas Department of Revenue, approximately 3.3 percent of Salina’s taxable sales were generated within the STAR Bond district during the District’s **base period** of calendar year 2015. Non-local visitors to the Salina Fieldhouse, however, will be more likely to patronize estab-

<sup>36</sup> Throughout this report, most dollar amounts have been converted to 2016 values based on the nation’s Consumer Price Index (CPI). This enables a more consistent presentation of monetized values. Eventual projections of year-by-year STAR Bond revenues, however, include an inflation rate of 2.0 percent per year plus other growth in sales and revenues as noted herein.

ishments convenient to the Fieldhouse and new District attractions, such as The Alley, than non-local visitors from other parts of the city. Therefore, it can be assumed that the proportion of spending by these visitors within the STAR Bond district will be much higher than 3.3 percent. The following table illustrates the amount of visitor spending that could be captured within the District if it were to capture 15 percent of total visitor spending. Capture rates can increase over time through cooperative measures taken by District anchors such as, say, common marketing efforts to attract a large number of Fieldhouse visitors to the Downtown hotel or to nearby restaurants.

Potential STAR Bond-Eligible Tax Revenues Generated in Downtown Salina by Fieldhouse Visitors at 15 Percent of Spending in the City of Salina, First Five Years (2016 Dollars)					
	Year One (2017-18)	Year Two (2018-19)	Year Three (2019-20)	Year Four (2020-21)	Year Five (2021-22)
RETAIL, DINING & ENTERTAINMENT					
Total Spending Generated at Restaurants, Retailers, and Entertainment Venues	\$1,692,700	\$2,132,800	\$2,508,900	\$2,708,300	\$3,031,800
Downtown Capture	15%				
Total Estimated Revenue at Downtown Locations	\$228,800	\$288,300	\$339,100	\$366,100	\$409,800

Overall, the influx of local and non-local visitors to the Salina Fieldhouse is expected to increase the amount of retail, restaurant, and entertainment spending taking place Downtown. While spending by Salina locals may cause a slight uptick in Downtown taxable sales, spending by non-locals is expected to have a much greater impact, potentially generating a net increase of between \$228,800 (year one) and \$409,800 (year five) in taxable sales. Opportunities to increase taxable revenue include increasing the number of tournaments and teams, increasing the number of non-local visitors, and increasing utilization of the Downtown hotel, restaurants, retailers, and entertainment venues in order to capture a greater proportion of visitor spending.

## The Alley

### Context and Overview

The Alley will be located close to the Salina Fieldhouse on the northeast corner of Ash Street and Santa Fe Street. The venue will consist of 47,000 square feet of indoor entertainment including a bowling center with 24 standard bowling lanes and an eight-lane boutique specialty bowling facility, a game room, a video arcade, laser tag, meeting space, a concession stand, and a full-service bar and restaurant. In addition to entertainment, the facility will also be qualified to host bowling tournaments.

In the parlance of retailing and entertainment, The Alley is considered a family entertainment center (FEC). FECs are for-profit leisure centers marketed towards families with children of all ages. FECs typically range from 15,000 to 200,000 square feet and can either be outdoor or indoor facilities that include a wide range of activities for children such as arcade games, laser tag, miniature golf, go-karts, indoor playgrounds, and bowling. FECs are also sometimes referred to as family amusement centers, play zones, family fun centers, or fun centers. The FEC industry began to organize itself around 1990 when FECs were mainly outdoor miniature golf family fun centers. Today, the FEC industry is growing and encompasses many new and different types of facilities such as children's entertainment centers, adult entertainment centers, and true family entertainment centers.

- Children's entertainment centers (CEC) are designed specifically for children, while parents are considered a secondary market.
- Conversely, adult entertainment centers (AEC) are designed primarily for adults only and combine video games, virtual reality, billiards, bowling, golf simulators, and a restaurant and bar. Dave & Buster's is an example of an AEC.
- True family entertainment centers (TFEC) are designed for both children and adults and often include bowling alleys, skating centers, golf driving ranges, arcades and game rooms, laser tag, sport facilities, and restaurants and bars. There are, broadly, two types of TFECs:
  - Multi-attraction indoor centers include combinations of soft-contained play units, arcade games, children's rides, birthday party facilities, bumper cars, simulator rides, indoor batting cages, sports games, and laser tag.
  - Outdoor fun centers often include go-karts, miniature golf, batting cages, and bumper boats, along with a clubhouse with a concession stand, games, and birthday facilities. Overall, TFECs generally have activities for children of all age ranges as well as for adults. The Alley would be considered a TFEC, as it will include a wide range of activities for both children and adults.

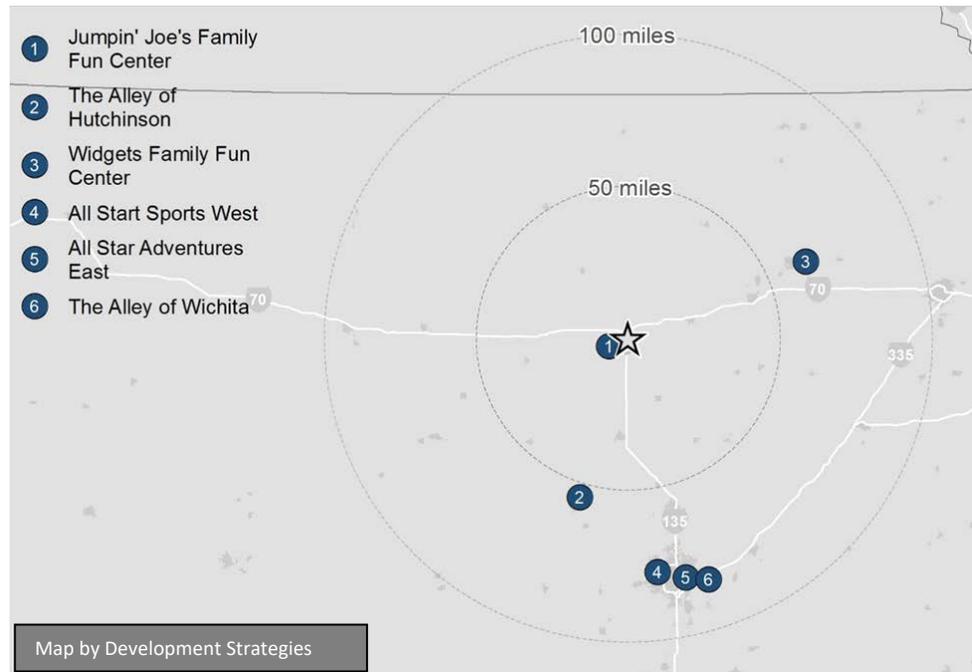
The Alley will be opened and operated by Joma Bowling Company, which owns and operates two existing Family Entertainment Centers, discussed below.

### Competitive Supply

Within fifty miles of Salina, there are several family recreational opportunities, but none that provide the unique combination of bowling, an arcade, laser tag, concessions, meeting space, and full service bar and restaurant that would be provided by The Alley. Jumpin' Joes Family Fun Center, an indoor/outdoor center, is about three miles southwest of Downtown Salina, and offers laser tag, go-karts, mini golf, arcade, an indoor jungle gym, and concession stand. Jumpin' Joes does not offer bowling, but there is one other bowling facility in Salina and an additional five bowling alleys within the fifty-mile radius.

Within 100 miles, there are two other The Alley locations operated by Joma Bowling Company. The first, The Alley of Wichita (81 miles from Salina), opened in 2004, and the second, The Alley of Hutchinson (63 miles from Salina), opened in 2015. These two locations of The Alley offer nearly the same amenities as proposed for the Salina

### Nearest Comparable Facilities



location, with a combination of bowling, laser tag, arcade games, and a sports bar and grill. The Salina facility, however, would be sized as roughly in between the sizes of the Wichita (largest) and Hutchinson (smallest) complexes.



There are three additional facilities that offer similar combinations of family-friendly activities within 100 miles, though none are focused on bowling to the same extent.

- Widgets Family Entertainment Center will open in Manhattan, Kansas, in 2017, with laser tag, indoor and foam ball playgrounds, miniature bowling, arcade games, and a restaurant. Like The Alley, Widgets is designed to appeal to children as well as their parents.
- Within Wichita, there are two other facilities that offer diverse activities targeted to families under the same roof.
  - All Star Sports (West) offers miniature golf, a driving range, a snack bar, go karts, bumper boats, video arcade, climbing wall, laser tag, batting cages, and bowling (a bowling game).
  - All Star Adventures (East) is billed as “Wichita’s Only Amusement Park,” and offers a number of indoor and outdoor activities, including amusement rides (summers only), go-karts, miniature golf, bumper boats and cars, an arcade, and bowling.



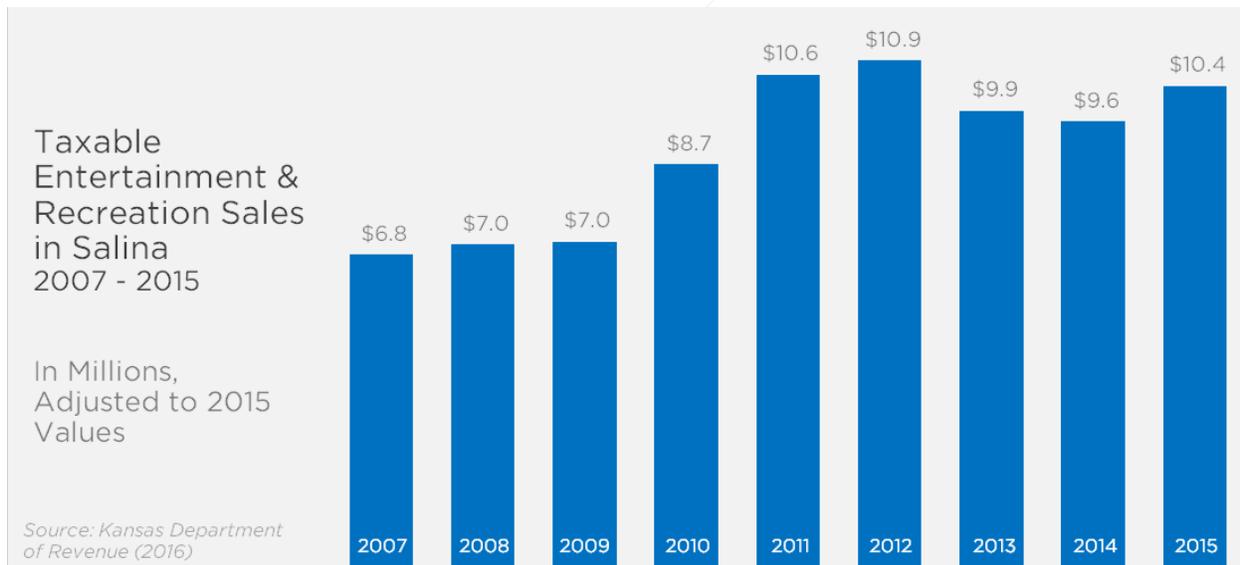
For obvious reasons, the two other The Alley locations are the most comparable facilities to that proposed for Salina. Given the owner’s interest in building a third location in Salina, it can be assumed that “cannibalizing competition” from the other two centers is not a significant hindrance to the potential profitability of all three facilities. Although a facility with somewhat comparable attractions exists within Salina, the offerings at The Alley will be more comprehensive and geared toward a wider audience. The Alley’s proximity to the new Salina Fieldhouse will also generate demand from families who are in town for Fieldhouse events.

Nearest Comparable Family Entertainment Centers			
The Alley of Salina			
Facility	Activities	Location	Distance
Subject			
The Alley	24 standard bowling lanes and an eight-lane boutique specialty bowling facility, a game room, a video arcade, laser tag, meeting space, a concession stand, and a full-service bar and restaurant	Salina	--
Direct Competition Within 100 Miles			
Jumpin’ Joe’s Family Fun Center	Go-karts, arcade, mini-golf, laser tag & other games	Salina	2½ miles
The Alley of Hutchinson	20 standard bowling lanes, eight boutique lanes, cosmic bowling, bumper cars, billiards, laser tag, arcade, meeting room, AJ’s full service sports bar and grill	Hutchinson	54 miles
Widgets Family Entertainment Center (Spring 2017)	Laser tag, indoor playground, mini bowl (a few bowling lanes with miniature balls and pins), ballcity arena (indoor playground with blasters, vacuums, cannons, and buckets that propel, throw raise, vacuum, and dump soft foam balls), arcade games, and restaurant	Manhattan	63 miles
All Star Sports West	Miniature golf, driving range, snack bar, go karts, bumper boats, batting cages, bowlingo (bowling game), laser tag, climbing wall, video and redemption arcade	Wichita	77 miles
All Star Adventures East	Miniature golf, driving range, snack bar, go karts, bumper boats, batting cages, bumper cars, bowlingo (bowling game), various carnival rides, mostly all outdoors	Wichita	81 miles
The Alley Wichita	60,000 square foot facility offering 32 standard bowling lanes, 8 dedicated cosmic bowling lanes, go karts, arcade, billiards, corporate meeting rooms, and sports bar and grill	Wichita	81 miles
Non-Competitive Entertainment Facilities Within 50 Miles			
All Star Lanes	Bowling	Salina	1¾ miles
Starlight Skate	Roller skating rink	Salina	3¾ miles
Green Acres Bowl / Tornado Alley	Bowling, bar and restaurant	Abilene	22 miles
Starlite Lanes	Bowling	McPherson	33 miles

Coach and Four Bowling Lanes	Bowling	Ellsworth	34 miles
Junction City Bowl	Bowling	Junction City	44 miles
Putt-A-Round Miniature Golf	Outdoor mini golf	Junction City	40 miles
Fox Hole Paintball	Paintball and airsoft	Grandview Plaza	47 miles
Sher-Bowl Lanes	Bowling	Marion	47 miles

## Demand

Entertainment is a \$10.4 million industry within Salina. This spending category is made up of two subcategories: “Performing Arts, Spectator Sports, and Related Industries” and “Amusement, Gambling, and Recreation Industries.”<sup>37</sup> In recent years, approximately 42 percent of entertainment spending in Salina was for the former subcategory, while the remaining 58 percent took place in the latter subcategory. Though spending in this category was flat during the Great Recession (about \$7 million per year), it has substantially increased since 2009, fluctuating between \$8.7 million in 2010 to a high of \$10.9 million in 2012. The number of establishments in this industry has remained largely stable, growing from 41 establishments in 2007 to 45 establishments in 2015. It would seem that this industry has largely recovered from the recession, but there does not seem to be an overall trend towards growth. This suggests that the existing entertainment establishments compete for a relatively fixed portion of a households’ entertainment budgets.



Joma Bowling Company operates the two existing The Alley locations, as well as six bowling centers in three states, according to Catherine DeSocio, president of Joma. Market demand at existing The Alley locations is strong. The Wichita location (<http://thealleywichita.com/>), which opened in 2004, has weekly patronage averaging between 3,000 and 3,500 people, or about 156,000 to 182,000 visits per year. The Hutchison location, which opened in 2015, averages about 2,000 people per week or 104,000

<sup>37</sup> Kansas Department of Revenue. Taxable Sales by North American Industrial Classification (NAICS) Code. 2007 – 2016 (Partial Year).

visits per year. Demand at the Salina location is projected to fall between demand at the existing locations at 130,000 and 156,000 visits per year. Nearby attractions, such as the Salina Fieldhouse and the Stiefel Theatre, are expected to generate customer traffic, as is the new Downtown hotel. According to Ms. DeSocio, The Alley in Wichita benefits from the adjacent Warren Theater, Residence Inn, and SpringHill Suites, which provide a steady source of visitors interested in dining or entertainment at The Alley. Additionally, the co-location of the two entertainment facilities and two hotels within the Plazzio, a 350,000-square foot dining and entertainment center, is seen as a factor in attracting the outparcel restaurants built between 2005 and the present at this location.<sup>38</sup>

According to Ms. DeSocio, the average visitor to The Alley stays for three hours. During the week, nearly all of The Alley patrons originate from within a 30-mile catchment area. Weekdays account for approximately 20 percent of total revenue, and generally consist of corporate events, family events such as birthday parties, and league bowling. Weekends account for the remaining 80 percent of total revenue and draw patrons in from much greater distances. Ms. DeSocio estimated that approximately half of weekend patrons come from locations within 30 miles of the facility, while the other half come from locations further afield. Combining weekdays and weekends, approximately 60 percent of visitors to The Alley come from within 30 miles, while about 40 percent originate from locations more than 30 miles away.<sup>39</sup> For the Alley in Salina, this would equate to approximately 85,800 annual visits from patrons coming from 30 miles away or less and 57,200 visits coming from more than 30 miles away. The exact breakdown will vary due to the effect of nearby attractions, but it is expected that The Alley will be both a primary and secondary destination within the STAR Bond district.

Overall, Ms. DeSocio expects that The Alley in Salina will generate approximately \$4,000,000 in taxable sales during its first year of operations.<sup>40</sup> This would be average spending of \$27.97 per visit per person. Additional conversations with comparable facilities and review of national and local trends in the family entertainment center industry affirm that these are reasonable expectations for The Alley in Salina, along with a conservatively estimated three percent annual growth rate per year, which includes partial patronage growth and partial economic inflationary growth.

### Sales Tax Implications

According to the Kansas Department of Revenue, all sales by businesses classified as “bowling centers,” such as The Alley, are taxable. Therefore, it is assumed that the totality of the \$4,000,000 in revenue will generate STAR Bond-eligible revenue. Still, construction of The Alley is contingent on the completion of other district components, most notably the streetscape improvements and the hotel, both of which are projected to be completed in June 2018.

Though a small amount of “spillover spending” is likely to exist as a result of The Alley—patrons coming Downtown for the primary purpose of going to The Alley but also spending at other retailers or dining off site—this particular spillover potential was not separately estimated for the purposes of this revenue study and is instead accounted for in overall Downtown retail growth.

---

<sup>38</sup> Phone conversation with Catherine DeSocio, President, JOMA Bowling Company. November 7, 2016.

<sup>39</sup> Phone conversation with Catherine DeSocio, President, JOMA Bowling Company. November 7, 2016.

<sup>40</sup> Phone conversation with Catherine DeSocio, President, JOMA Bowling Company. November 7, 2016.

## Classic Car Museum

### Context and Overview

Another large component of the Downtown Salina Revitalization Project is the proposed *America's Crossroads Car Collection*, a planned museum of automotive history that will be located in a complex of five repurposed warehouse buildings and one new building on 4<sup>th</sup> Street near the intersection of Iron Avenue. The mission of the museum is "to collect, preserve, interpret, exhibit, and celebrate automobiles in order to elevate awareness of and appreciation for the automobile's historical significance and influence on American culture."<sup>41</sup> The museum will feature approximately 31,000 square feet of exhibition space dedicated to the display of restored antique and vintage cars, as well as illustrative exhibits about automotive history, technology, pop culture, and design. Between 25 to 60 cars would be on display at any time drawn from the private collections of local car enthusiasts. The venue will be designed to function as an interactive and participatory museum that will serve a regional and national market for automobile enthusiasts.

America's Crossroads Car Collection will join a network of automobile museums across the country. The National Association of Automobile Museums lists 108 locations on their museum list,<sup>42</sup> with museums in nearly all fifty states. The greatest concentration of museums is found in the northeast United States, particularly in former car manufacturing cities in Michigan, Pennsylvania, and Ohio. Some museums are dedicated to particular manufacturers or eras in history, while others maintain collections that span the breadth of manufacturers and eras. Some museums specialize only in cars, while others have exhibits of related themes, such as racing, Route 66, or transportation in general. Despite the impressive number and distribution of such museums, data on the total number of visitors to them, or on their economic impact, has not been compiled,<sup>43</sup> although many individual museums collect their own data about visitorship.

### Competitive Supply

Within 200 miles of Salina, there are four automobile museums, and there are two more slightly beyond the 200-mile radius. Their locations are shown in the map below and information about each museum is listed in the subsequent table. The two automobile museums located in Kansas are both in the Kansas City metropolitan area. Because of its focus and location in a smaller metropolitan area, the most comparable museum of the six is the Kearney, Nebraska, Classic Car Collection. Its 50,000-square foot facility is located adjacent to Cabela's sporting goods store in Kearney, a city of 32,000 people located on Interstate 80 about 126 miles west of Lincoln. Touted as the "best public car attraction between Chicago and Denver," the collection opened in 2011 with 134 cars, and has expanded due to vehicle donations and loans from collectors. The museum rotates its collection quarterly and has about 10,000 visitors annually.

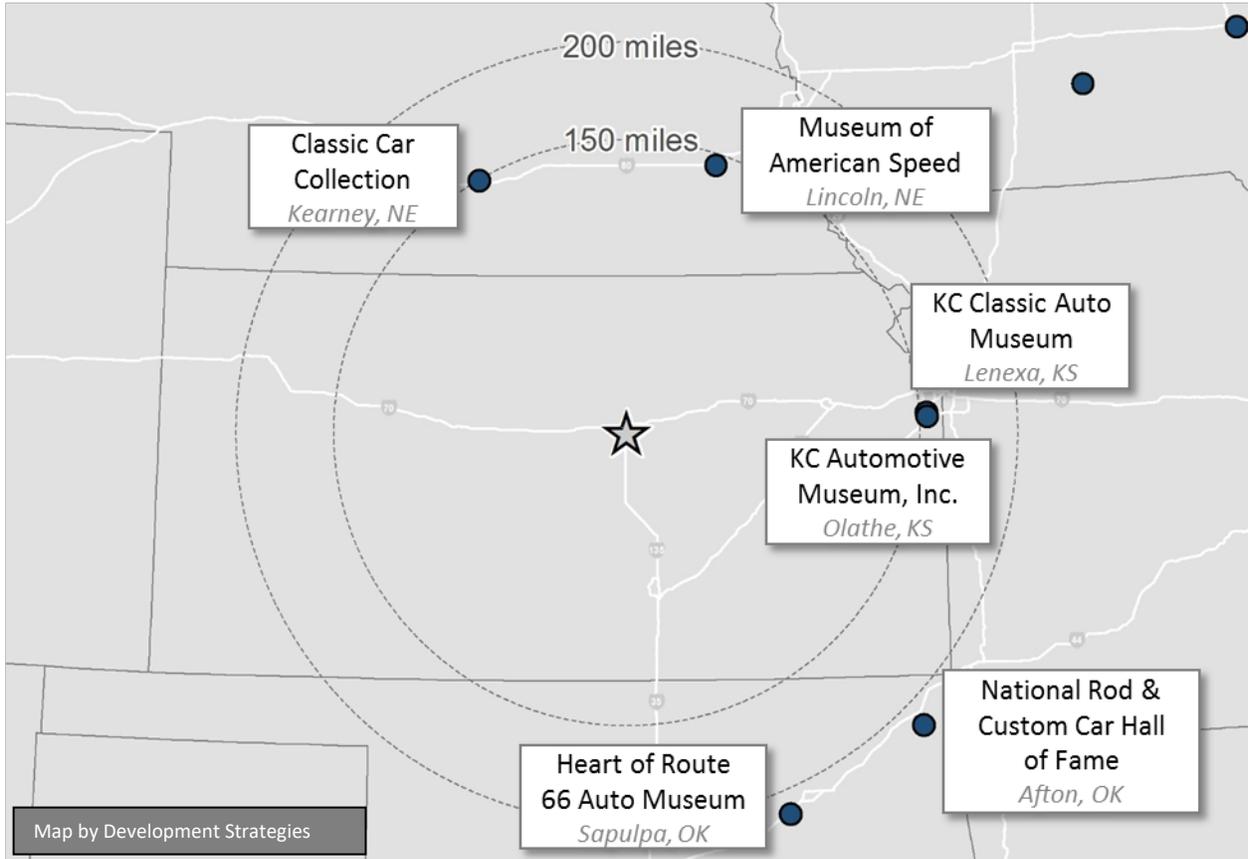
---

<sup>41</sup> Salina Educational Automotive Museum of America, Inc. *Business Plan for the Formation of America's Crossroads Car Collection*. Publication Date Unknown.

<sup>42</sup> National Association of Automobile Museums. "Museum List." Accessed October 2, 2016 from <http://www.naam.museum/museum-list/>.

<sup>43</sup> Phone conversation with Mary Ann Pinchak, President of the National Association of Automobile Museums and Executive Director of the National Packard Museum.

## Nearest Comparable Facilities



Because of its distance from Salina, the Kearney Classic Car Collection is not likely to compete directly with The America’s Crossroads Car Collection. For the same reason and due to their distinct collections, the remaining five museums are also not expected to directly compete with the proposed car museum in Salina. That said, it may be beneficial to all or most of them to create a cooperative marketing campaign to encourage classic car enthusiasts to visit, linger in, and spend more money in the Midwest/Great Plains, a technique which can help to assure Salina’s position on the classic car touring map.

### Demand

In order to better understand visitorship at classic car museums, seven comparable car museums in other communities were surveyed by Development Strategies to understand museum demand. Car museums were chosen based on similarities in the size of the facilities and/or the size or type of collection as well as if they were located in medium to small cities, preferably within the Midwest and Great Plains.

The surveyed museum facilities range in size from 22,000 to 89,000 square feet and annual visitorship ranges from 6,500 at the Wheels O Time Museum in Peoria, Illinois, which is only open 6 months out of the year, to 20,000 at the Museum of Automobiles in Morrilton, Arkansas. The average size of the surveyed auto museums is about 38,000 square feet and the average annual number of visitors at all facilities is 12,000. Overall, the size of the facilities and their collections does not seem to have a strong correlation with the number of visitors. The Northeast Classic Car Museum, for instance, averages about

0.12 annual visitors per square foot while the Morrilton Museum of Automobiles averages more than seven times that amount at 0.89 annual visitors per square foot.

Nearest Comparable Automobile Museums to the Proposed America's Crossroads Car Collection, Salina				
Museum	Description	Square Feet	Yearly Visitors/Visitors per 1,000 SF	Distance from Salina (miles)
Museum of American Speed <i>Lincoln, NE</i>	The Speedway Motors Museum of American Speed is dedicated to preserving items significant to racing and automotive history. Besides cars and engines, they also display print archives, memorabilia, and models.	135,000	8,215/ 61	146
Classic Car Collection <i>Kearney, NE</i>	The Kearney Classic Car Collection grew out of a private collection, and has about 215 rare and historic cars on rotating display, as well as a recreated 1950s gas station and drive-in theater.	50,000	10,000/ 200	152
KC Automotive Museum, Inc. <i>Olathe, KS</i>	The museum highlights significant Kansas City automotive history. It features 30 cars that rotate every 4-6 months, with a drive-in area dedicated to the car club of the month.	12,000	10,000/ 833	153
KC Classic Auto Museum <i>Lenexa, KS</i>	A showroom that principally sells cars but that also functions as a publicly-accessible classic car collection. Usually has an inventory of about 100 cars.	20,000	2,000 – 3,000/ 100-150	154
National Rod & Custom Car Hall of Fame <i>Afton, OK</i>	The museum features over 50 custom built hot rods and custom cars, as well as a hall of fame and cultural artifacts.	40,000	5,000/ 125	211
Heart of Route 66 Auto Museum <i>Sapulpa, OK</i>	Repurposed armory building that features vintage cars, Route 66 exhibits and a tall gas pump-shaped observation tower.	10,000	Recently opened (2016)	212

Given the wide range in visitorship patterns, the average number of visitors per 1,000 square feet at these comparable museums, 317, was used as a projection of potential visitorship at The America's Crossroads Car Collection. If the Car Collection performs similarly to existing car museums in smaller towns, annual paid visitorship can be estimated at approximately 9,845.

A cooperative agreement between the Car Collection and Kustom Kamps of America (KKOA), a well-established custom car and truck association, will divert a portion of KKOAs membership fees to the museum (\$20 per member), and each member will receive two entrances to the Car Collection per year with their membership in return. Additionally, KKOAs already hosts an annual, four-day event in Salina every summer. According to KKOAs, approximately 2,000 people participate in the event each year. It is likely that many, if not most of these visitors, many of them KKOAs members, will visit the Car Museum during this annual event. However, though this event will boost visitorship at the museum, it will not necessarily increase the amount of revenue collected at the door. Assuming that at least 75 percent of these annual event visitors will visit the Car Collection during their summer trip in Salina, adding an addi-

tional 1,500 visitors, it is reasonable to assume that the Car Collection could host at around 11,300 visitors each year. However, since these visitors are likely already annual visitors to Salina, this report focuses on the 9,845 new net visits created specifically by the Car Collection.

### Sales Tax Implications

The projected 9,845 visitors to the Car Collection are expected to generate sales tax via two mechanisms: 1) Sales taxes levied on entry fees and 2) Spillover patronage at Downtown restaurants, retail, and entertainment attractions. According to the Car Collection’s business plan, adult admission will cost \$10, but there will be discounted tickets available for seniors, members of the military, children, and school groups. Taking discounted tickets into consideration, the average ticket price paid per visitor is estimated at \$8.09.<sup>44</sup>

The following table corroborates that average ticket price based on research by Development Strategies. It shows selected car museums in the U.S. deemed most comparable based on collection type and type of location, not just those nearby. The general conclusion is that these facilities have admission fees/ticket revenues close enough to those proposed for Salina that the \$8.09 is suitable for use in the economic modeling. In other words, the proposed Car Collection entry fee of \$10.00, adjusted as shown above, seems realistic, given entry fees at comparable museums.

Comparable Facilities Around the U.S. Relative to Types of Locations, Visitors, and Ticket Prices

Museum	Description	Square Feet	Yearly Visitors	Entrance Fee & Operating Hours
Subject – America’s Crossroads Car Collection <i>Salina, KS</i> <i>(pop. 48,000)</i>	The museum will feature approximately 25 to 60 restored antique and vintage cars on display, as well as illustrative exhibits about automotive history, technology, pop culture, and design.	31,000	--	\$10 (adults)
Classic Car Collection <i>Kearney, NE</i> <i>(pop. 32,000)</i>	The Kearney Classic Car Collection grew out of a private collection and has about 215 rare and historic cars on rotating display, as well as a recreated 1950s gas station and drive-in theater. It is in a repurposed warehouse in the small and somewhat isolated city of Kearney, Nebraska.	50,000	10,000	\$8, open 7 days a week
National Sprint Car Hall of Fame <i>Knoxville, IA</i> <i>(pop. 7,300)</i>	The museum is dedicated to preserving the history of sprint car racing and honoring its greatest achievers. Opened in 1992, the museum displays about 25 restored cars and other memorabilia in a small town about 31 miles southeast of Des Moines.	36,000	11,000	\$5, open 7 days a week

<sup>44</sup> Salina Educational Automotive Museum of America, Inc. *Business Plan for the Formation of America’s Crossroads Car Collection*. Publication Date Unknown.

Museum	Description	Square Feet	Yearly Visitors	Entrance Fee & Operating Hours
Wheels O Time Museum <i>Peoria, IL</i> (pop. 116,500)	The museum displays about 40 antique cars, as well as trains, tractors, and a fire-truck, but has other types of older artifacts and antiques as well. Located on the northern edge of Peoria, and thought that a downtown location would improve visitorship.	34,000	6,500	\$7, open May-October (6 months), 5 days a week
Antique Car Museum of Iowa <i>Coralville, IA</i> (pop. 20,000)	The museum hosts a rotating display 90+ vehicles ranging from 1899 to the mid 1970's, along with an early 20th century Skelly gas station. Many of their antique cars are untouched by modern day techniques. Coralville is a suburb located to the northwest of Iowa City.	28,000	7,000	\$5, open 6 days a week
Museum of Automobiles <i>Morrilton, AR</i> (pop. 6,800)	The museum is located adjacent to Petit Jean State Park, in Morrilton, Arkansas, a small community about 50 miles northwest of Little Rock. The museum has more than 50 vehicles on display, most dating to before 1950. It is also the headquarters for the Mid-America Old Time Automobile Association (MOTAA). There are also antique guns and arcade machines on display.	22,500	20,000	\$10, open 7 days a week
Canton Classic Car Museum <i>Canton, OH</i> (pop. 76,000)	A former Ford dealership that exhibits forty rare and unusual classic and special interest automobiles and thousands of pieces of historical memorabilia, located in Canton, a medium-sized town about 20 miles south of Akron.	22,000	12,000	\$7.50, open 7 days a week
Northeast Classic Car Museum <i>Norwich, NY</i> (pop. 7,000)	Housed in five connected buildings, the museum opened in 1997 with 50 vehicles and today features over 160 vehicles from 1899 to the early 1970s, including cars made in New York state.	89,000	11,000	\$10, open 7 days a week

Data from the Kearney, Nebraska, Classic Car Museum, the museum most comparable nearby museum, indicates that approximately 75 percent of visitors to the museum come from locations outside of Kearney, although there was a higher percentage of local visitors in 2011 when the museum opened.<sup>45</sup> Using this example, it can be expected that about 7,385 people will visit the Car Collection each year from locations outside of Salina, either as the primary purpose of their trip to Salina or as part of a larger travel itinerary.

<sup>45</sup> Phone conversation with manager, Kearney Classic Car Museum. October 25, 2016.

Though the actual impact of increased visitorship as a result of new Downtown attractions, such as the Car Collection, is accounted for in the retail section of this report, data about average visitor spending gives a preliminary idea of the potential impact of Car Collection patrons themselves. According to *The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences in the City of Salina, Kansas*,<sup>46</sup> non-local visitors to nonprofit arts and culture activities spent an average of \$39.08 per person on meals, refreshments, souvenirs, gifts, ground transportation, and miscellaneous expenses, while local visitors spent an average of \$21.72 per person (both of these amounts exclude admissions).<sup>47</sup>



The amount of taxable sales potentially generated by annual visitors to the Car Collection is shown below. It can be assumed that much of the taxable sales revenue generated by Car Collection visitors, especially non-local visitors, can be captured Downtown with sufficient attractions and marketing efforts. For example, estimating a capture rate of 20 percent gives potential annual taxable sales of \$68,400 for Downtown merchants emanating from the Car museum visitors alone.

Potential Annual Taxable Sales Generated by Car Collection Visitors While Visiting Salina (2016 Dollars)			
	Total Number of Visitors	Spending Per Person	Total Taxable Sales
Non-Local Visitors (75%)	7,385	\$39.08	\$288,600
Local Visitors (25%)	2,460	\$21.72	\$53,400
<b>Total</b>	<b>9,845</b>	<b>\$34.73</b>	<b>\$342,000</b>

## Stiefel Theatre

The Stiefel Theatre for the Performing Arts is one of Downtown Salina’s existing, iconic, and very successful cultural attractions. The ornate 1930s art deco theater seats 1,287 people and has hosted concerts, dance performances, comedy shows, and other events since its reopening in 2003. The venue also includes space that can accommodate meetings, conferences, and parties.

As part of the Downtown Salina Revitalization Project, private donors are anticipated to fund an esti-

<sup>46</sup> Americans for the Arts. *The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences in the City of Salina, Kansas*. 2007. Accessed November 1, 2016 at [http://maps.artsusa.org/aepiii/Reports/SalinaKS\\_OnePageSummary.pdf](http://maps.artsusa.org/aepiii/Reports/SalinaKS_OnePageSummary.pdf)

<sup>47</sup> Adjusted from FY 2005 values to 2016 values using the Bureau of Labor Statistics CPI Inflation Calculator <http://data.bls.gov/cgi-bin/cpicalc.pl>

Photo by Development Strategies

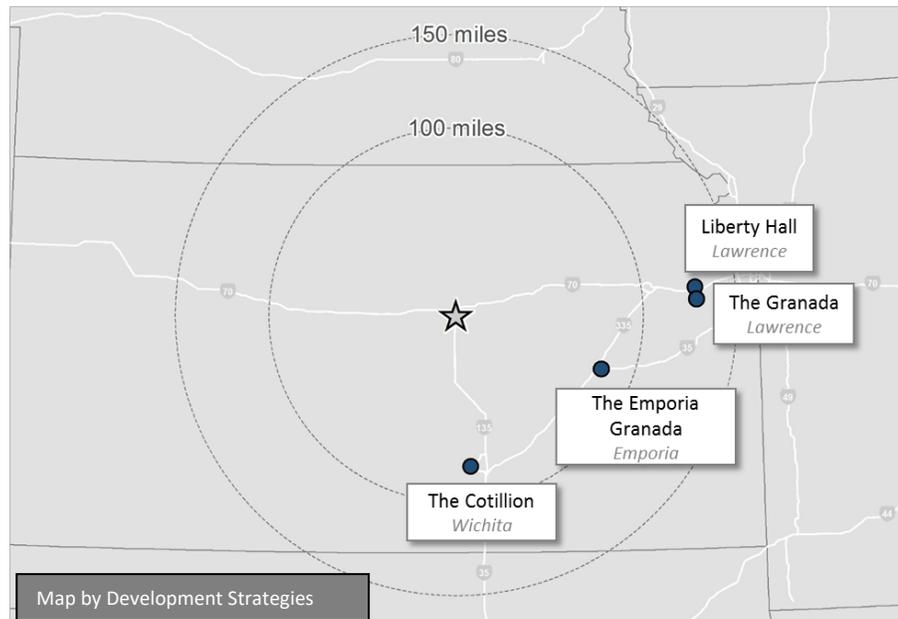
mated \$2.2 million in theater renovation and expansion that would enhance the facilities, add food and beverage outlets, expand meeting space, and create an additional smaller venue in the basement that would seat approximately 150 people and be available 200 nights per year. These improvements are expected to produce greater revenues by 1) attracting more acts and patrons, 2) increasing on-site food and beverage sales, and 3) increasing meeting capacity. In 2015, 43,688 patrons attended events at the Stiefel Theatre.

### Competitive Supply

Within 150 miles of Salina, there are four historic theaters of a somewhat similar size to the Stiefel Theatre that host national touring acts and other performing arts.

- The closest theater is The Cotillion in Wichita (81 miles from Salina), a 2,000 seat, 28,500 square foot theater built in 1960 that hosts concerts, dances, and stage shows.
- In Emporia (84 miles from Salina), the Emporia Granada is a 1,400-seat former movie theater dating from 1929 that today hosts music arts, movie screenings, and other performances.

Historic Performing Arts Venues within 150 Miles



- Liberty Hall in Lawrence (about 129 miles from Salina) is a historic theater dating from 1911 that today consists of a concert hall with a capacity of 1,050, as well as a movie theater and coffeehouse.
- The Granada Theatre, also in Lawrence, is a historic movie theater dating from 1928 with 800 seats that hosts musical performances.

The Stiefel faces competition from these venues, but has been highly successful in attracting performers and spectators from a large catchment area that includes larger cities such as Wichita and Topeka.

### Demand

According to Jane Gates, the Executive Director of the Stiefel Theater, demand at the theater is strong and continuing to grow. Attendance in 2015 increased by 4,688 over the prior year with an aggressive calendar of national touring acts. Currently, the theater hosts between 40 and 50 events per year, or about 75 nights of performances annually. Plans to renovate and expand the theater in the next two years will refresh the facilities and add more usable space, including food and beverage outlets and pos-

sibly a smaller basement venue. Because of increasing current demand and plans to enlarge the facilities and make them more attractive, the number of annual event-nights is expected to grow by two per year, accumulating over the subsequent ten years, growing from about 75 in 2015 to 95 per year in 2024. Current attendance is estimated at 583 patrons per show, and this average is used to calculate the expected number of net new visits. This demand calculation results in the addition of about 1,165 new patrons per year, or 11,650 net new visits by 2025. Demand following the expansion is expected to increase from the current baseline of about 43,700 patrons to 55,338 with the addition of more programming, with about 65 percent of visitors originating from locations outside of Saline County, and the remaining 35 percent originating locally from locations within Saline County.

### Sales Tax Implications

As an existing attraction, only incremental growth in revenue at the Stiefel Theatre is capturable for STAR Bond repayment. Therefore, only those revenues generated by ticket or food and beverage sales *in addition to the base amount* are eligible. As noted above, patronage is anticipated grow gradually by 1,165 patrons per year between 2015 through 2024, for a ten-year cumulative increase to 11,650 net new patrons in 2024. An average ticket price of \$30 is used in this analysis.

In addition to sales revenues generated on site, the Stiefel Theatre is expected to continue triggering spillover spending from patrons enjoying meals, drinks, and shopping before or after shows elsewhere in Downtown. According to *The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences in the City of Salina, Kansas*,<sup>48</sup> non-local visitors to nonprofit arts and culture activities spend an average of \$39.08 per person on meals, refreshments, souvenirs, gifts, ground transportation, and miscellaneous expenses, while local visitors spent an average of \$21.72 per person (both these figures exclude direct admissions payments to the facilities themselves).<sup>49</sup> These are the same assumptions used to estimate the impact of Car Collection visitors.

The amount of taxable sales potentially generated by annual visitors to the Stiefel Theatre is shown below. Like other downtown attractions, it can be assumed that a certain amount of taxable revenue can be captured downtown with sufficient attractions and marketing efforts. **For example, estimating a capture rate of 20 percent gives potential annual taxable sales for Downtown Merchants of \$77,000 from net new Stiefel Theater patrons alone in 2024 and thereafter.**

---

<sup>48</sup> Americans for the Arts. *The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences in the City of Salina, Kansas*. 2007. Accessed November 1, 2016 at [http://maps.artsusa.org/aepiii/Reports/SalinaKS\\_OnePageSummary.pdf](http://maps.artsusa.org/aepiii/Reports/SalinaKS_OnePageSummary.pdf).

<sup>49</sup> Adjusted from FY 2005 values to 2016 values using the Bureau of Labor Statistics CPI Inflation Calculator <http://data.bls.gov/cgi-bin/cpicalc.pl>

Potential Annual Taxable Sales Generated by Net New Stiefel Theater Patrons While Visiting Salina (2016 Dollars)			
	Total Number of Visitors (2025 Projections)	Spending Per Person	Total Taxable Sales
Non-Local Visitors (65%)	7,600	\$39.08	\$297,000
Local Visitors (35%)	4,050	\$21.72	\$88,000
<b>Total (Net New Only)</b>	<b>11,650</b>	<b>\$33.05</b>	<b>\$385,000</b>

## Hilton Suites

The Salina Downtown Revitalization Project includes plans for construction of a new, 114-room Home-wood Suites by Hilton. This hotel and conference space would be located at the intersection of 5<sup>th</sup> Street and Mulberry Street. This will be the first contemporary hotel located within Downtown Salina and will support planned development by providing accommodations within convenient walking distance of the new attractions while also serving the Downtown business community and the Salina Health Center. The hotel will include 2,400 square feet of on-site meeting and conference space and a 5,500-square foot restaurant.<sup>50</sup> It is expected that the new hotel will partially redirect demand now being satisfied hotels already serving the Salina market, as well as new demand generated by the revitalization project.

## Context and Supply

At present, the city of Salina offers a healthy range of hotel and motel accommodations targeted to a wide range of different consumers and budgets. The offerings include a turn-of-the-century bed and breakfast, inexpensive vintage motels west of Downtown, and three main clusters of 2- and 3-star chain hotels located at Salina’s main interstate interchanges. The greatest number of hotel rooms is found at the I-135 and Schilling Road interchange, about 3.5 miles south of Downtown Salina. This area has also seen the most recent building activity, with a 115-room Holiday Inn completed in 2015.<sup>51</sup> This interchange will also be the site of a new 100-room Hilton Garden Inn that is expected to open in Spring 2017, which will also include 16,100 square feet of convention-type meeting space.<sup>52</sup>

<sup>50</sup> Phone conversation with Don Boos, Director of Development, Blue Beacon International, Inc. October 28, 2016.

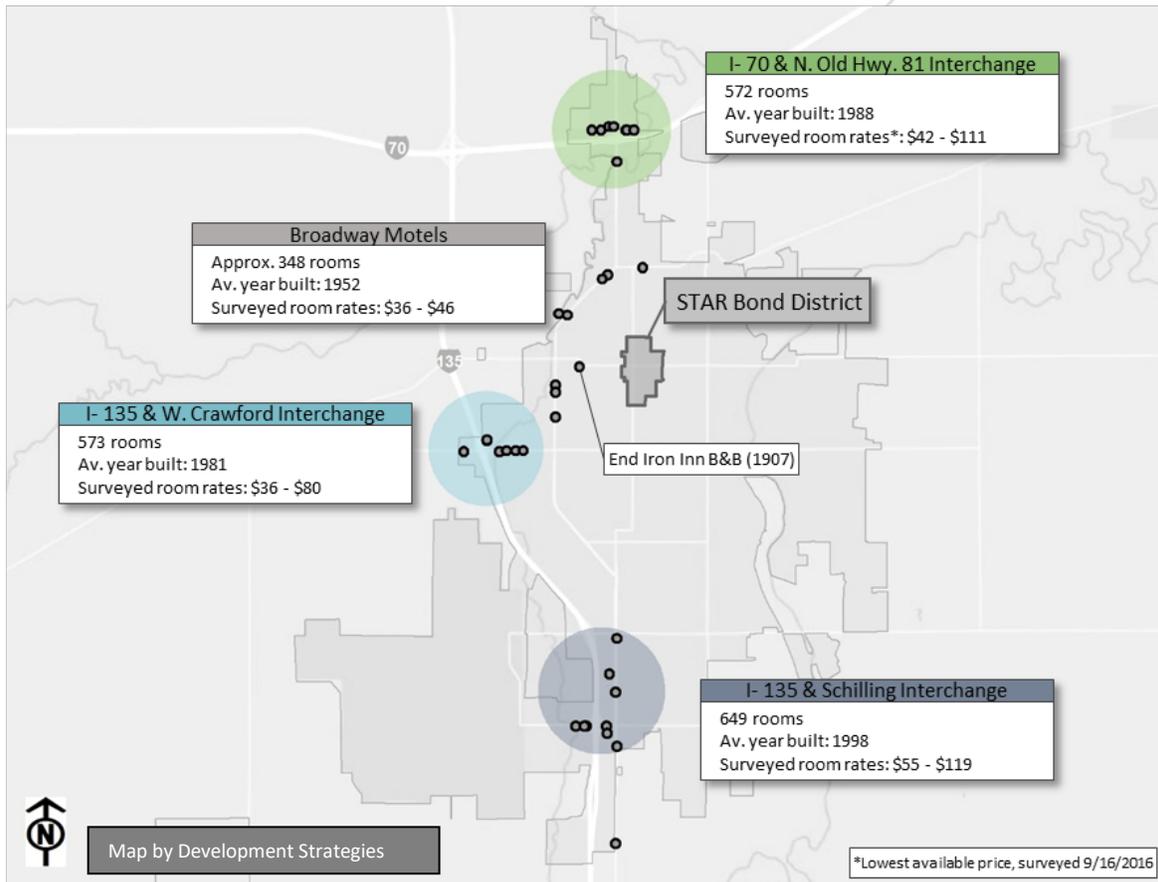
<sup>51</sup> Horan, Tim. “Holiday Inn Set to Open Next Week.” *Salina Journal*. April 11, 2015. Accessed September 14, 2016 from <http://www.salina.com/news/holiday-inn-set-to-open-next-week>.

<sup>52</sup> Strand, Mike. “Ground Broken in Salina for New Hilton.” *Salina Journal*. October 9, 2015. Accessed September 14, 2016 from <http://www.salina.com/news/ground-broken-in-salina-for-new-hilton>.

As of August 2016, there were 2,119 hotel rooms at 33 properties in Salina, including chain and non-chain properties.<sup>53</sup> The two new hotels (the 9<sup>th</sup> Street Hilton Garden Inn and the Downtown Hilton Suites) will add a combined 214 rooms to the Salina hotel inventory, increasing the overall supply of rooms by ten percent over the next two years.

The map below illustrates the location of each hotel as well as the major motel and hotel clusters. Each of the three hotel clusters is situated at a major interstate interchange and offers a variety of amenities targeted to visitors. The I-70 and North Old Highway 81 interchange is home to a handful of franchise restaurants (IHOP, McDonald's, Subway) and interstate-serving travel centers. The I-135 and West Crawford interchange is the site of a small number of local and chain restaurants. The I-135 and Schilling interchange has the greatest number of amenities and is the most attractive from a visitor perspective, with Walmart and Target stores in addition to a number of franchise restaurants, such as the Olive Garden, Applebee's, and Buffalo Wild Wings.

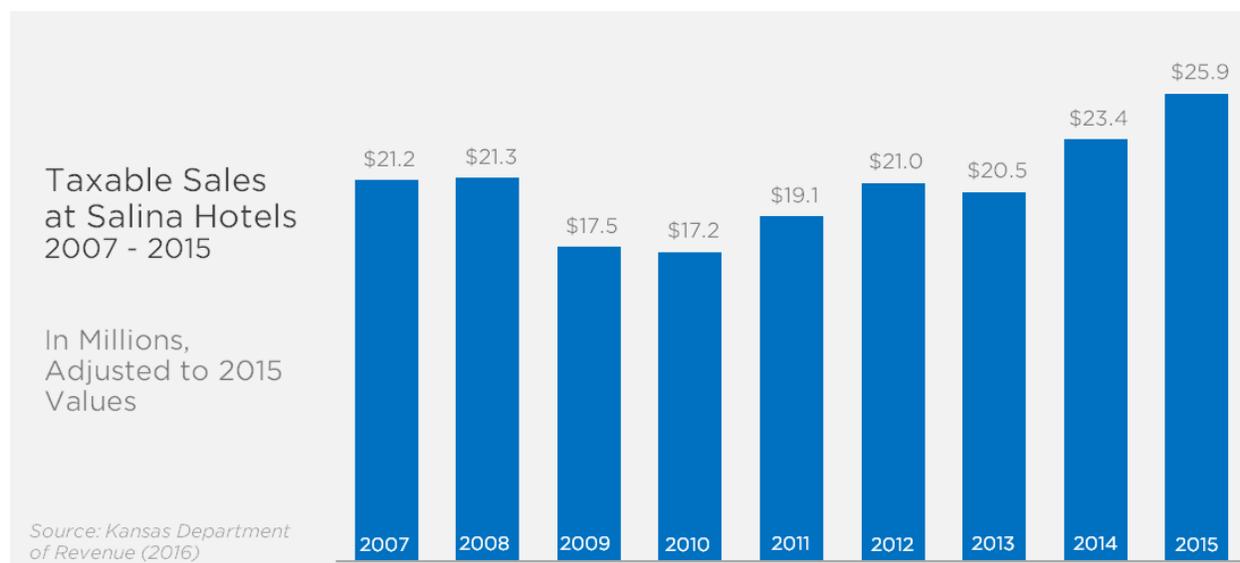
## Salina Hotel Supply



<sup>53</sup> Salina Hotel Room Inventory by Development Strategies. Data collected August 2016.

## Demand

Data from the Kansas Department of Revenue creates a trendline of taxable sales generated at Salina hotels over the past nine years. Like other sectors, the Salina hospitality industry was affected by the recent Great Recession, with a 17.9 reduction in taxable sales from 2008 to 2009 and a further 1.7 percent decrease from 2009 to 2010. Since 2010, however, taxable sales have grown each year (with the exception from 2012 to 2013) at an average increase of 8.8 percent per year from 2010 to 2015. During that same time, the number of hotels grew from 29 to 35.



The Salina Area Chamber of Commerce estimates that Salina currently hosts at least 580,000 overnight stays in hotels each year. Hotel guests are typically broken into three market segments based on the purpose of their stay in order to analyze demand: business travel, leisure/tourism, meetings and groups (conference or meeting attendance). A fourth segment, extended-stay (more than five nights), is also sometimes considered when it is of sufficient significance.<sup>54</sup> Different factors drive demand for each of these segments:

- **Business Travel (Commercial)** Not surprisingly, business travel is driven by business activity. Demand for business accommodations is strongest during the week (Monday through Thursday nights) and normally remains constant throughout the year. In Salina, commercial hotel demand generators include Salina's largest private employers: Schwan Global Supply Chain (1,400 employees), Exide Technologies (672 employees), Great Plains Manufacturing (672 employees), and Philips Lighting (450 employees).<sup>55</sup> For the time being, slow growth is predicted for the production sector in Kansas (0.1 percent growth from 2016 to 2017), as well as for the trade, transportation, and utilities sector (0.6 percent), so business activity will likely remain stable in the near future. Government activity

<sup>54</sup> D'Antonio, Stefania. Market Segmentation: Identifying Where Hotel Demand Comes From. HVS Global Hospitality. September 25, 2013. Accessed September 14, 2016 from <https://www.hvs.com/article/6583/market-segmentation-identifying-where-hotel-demand-comes/>.

<sup>55</sup> Salina Area Chamber of Commerce. *Salina's Largest Employers 2014*. Date unknown. Accessed October 14, 2016 from [http://ed.salinakansas.org/media/4433/the\\_22\\_largest\\_employers\\_in\\_2014.docx](http://ed.salinakansas.org/media/4433/the_22_largest_employers_in_2014.docx).

also drives commercial hotel segment demand, though this is more relevant in capital cities and is not expected to generate extensive demand in Salina. Corporations often choose hotels to house business guests based on location, hotel amenities, or negotiated corporate contracts. The Downtown location and amenities of the new Homewood Suites by Hilton will certainly appeal to corporations and business travelers as one of the newest and best-quality hotels in Salina, so it is expected to benefit from existing and new business travel demand.

- **Leisure/Tourism** Leisure travelers consist of individuals and families who are traveling for the purpose of sightseeing, engaging in tourist activities, or visiting friends and/or family, and includes guests enroute to other destinations. Leisure travel demand is strongest during the summer and holidays, with typical peak demand on Friday and Saturday nights—which tends to complement the Sunday-Thursday peak demand in business travel. Individuals and families often choose hotels for leisure travel based on cost (this consumer segment is the most price-sensitive), hotel amenities, neighborhood amenities, and location. Guests stopping over as part of a journey to a different destination may preferentially select hotels located convenient to interstate highways and restaurants.

Two key drivers of leisure hotel demand in Salina are its visitor attractions and its location as a stop-over point for guests traveling elsewhere. The increase in visitor attractions as a result of the *Revitalization Plan* in Downtown Salina is expected to attract approximately 214,100 new unique visits each year, with about 41,400 room-nights generated by non-local visitors to the Salina Fieldhouse alone in its third year of operations. Over the next 20 years, it is expected that vehicle miles traveled will grow slowly, at an annual rate of 0.81 percent.<sup>56</sup> Therefore, the number of vehicles passing through Salina on the interstates will grow slightly over time, leading to a slow increase in the number of stopover guests.

- **Meetings and Groups** Meetings are a major driver of travel activity in the United States and result in a large number of room stays. This segment encompasses visitors traveling for the purpose of participating in meetings, conferences, conventions, seminars, and trade shows. The two major types of demand segments in this category are corporate groups and SMERFE (social, military, ethnic, religious, fraternal, and educational) groups. Corporate groups tend to meet during the business week, while SMERFE groups tend to meet on weekends. Generally speaking, SMERFE groups are more cost-conscious and corporate groups generate more spending on food and beverage within the hotel. Not surprisingly, the presence of meeting facilities drives demand for this segment, whether it is space provided by the hotel or by a nearby convention center. In Salina, major efforts to attract more convention traffic are underway. The first is the recently-completed renovations at the Bicentennial Center, a \$13.1 million upgrade of the 18,000-square foot multi-purpose facility. The second is the construction of 16,700 square feet of new convention space within the Hilton Garden Inn. According to the Chamber of Commerce, these two facilities will be instrumental in attracting more convention travel to Salina.

Looking at the drivers of hotel demand in Salina listed above, the city should continue to experience growth in the number of overnight guests. It is reasonable to assume that the new hotel will be attrac-

---

<sup>56</sup> Federal Highway Administration. *FHWA Forecasts of Vehicle Miles Traveled (VMT): Spring 2016*. May 2, 2016. Accessed October 24, 2016 from [http://www.fhwa.dot.gov/policyinformation/tables/vmt/vmt\\_forecast\\_sum.pdf](http://www.fhwa.dot.gov/policyinformation/tables/vmt/vmt_forecast_sum.pdf).

tive to business travelers, and it is also reasonable to assume that visitors participating in activities Downtown will want to stay in a hotel convenient to their purposes provided it is within their budgets.

### Sales and Transient Tax Implications

Data obtained from Smith Travel Research shows average overall hotel occupancy of about 58 percent in Salina throughout 2014 and 2015, with higher occupancy rates in the summer and lower in the winter. This is on par with comparable Kansas cities such as Hutchinson (about 54 percent) and Dodge City (about 56 percent). Hotel occupancy tends to be higher in larger cities such as Wichita (about 62 percent) and Kansas City (about 66 percent). In Salina, daily room rates averaged about \$70 during this time.

An internal analysis by Lighthouse Properties, the anticipated developer of the Downtown Homewood Suites, predicts greater than average occupancy and above average daily room rates at the new hotel, with a projection of 76.5 percent average occupancy and an average daily rate of \$125.56 (2016 dollars), based on the performance of similar facilities owned and operated by this developer, including The Raphael Hotel in Kansas City and the Homewood Suites by Hilton at the Waterfront in Wichita.

Earnings statements are released every quarter by Hilton, which list average daily rates and occupancies for each Hilton brand. In 2015, there were 370 Homewood Suites by Hilton properties in the United States, with an average daily rate of \$131.33 and average occupancy of 79.6 percent.<sup>57</sup> For the first three quarters of 2016, average daily rate was reported at \$135.55 and average occupancy was 80.5 percent. These performance measures support the average room rate and occupancies projected for the downtown Salina Homewood Suites by Hilton.<sup>58</sup> Thus, this report is comfortable using the occupancy and room rates noted above for projections of potential STAR Bond tax revenues.

Assuming that occupancy remains stable over the next 20 years, annualized hotel room revenues can be estimated using the following formula:

$$114 \text{ rooms} * 365 \text{ days} * \$125.56 \text{ average daily rate} * 76.5\% \text{ average occupancy}$$

Using this formula, the new Downtown Hilton Suites would generate almost \$4 million in taxable sales from hotel rooms each year (2016 dollars). As of July 2016, the Transient Guest Tax rate in Salina was 6.7 percent. Deducting an administrative fee of 0.12 percent which is retained by local government, 6.58 percent of the transient lodging tax is capturable for STAR Bond repayment, or a potential annual amount of \$263,000 (\$4 million \* 6.58%).

Hotel rooms are also subject to the normal sales tax. In Salina, the combined state and local sales tax is 8.75 percent, of which 8.3527 percent is capturable for STAR Bond repayment after subtracting both an administrative fee and ineligible taxes. Potential annual STAR Bond revenues could, therefore, total of \$334,000 (\$4 million \* 8.3527%).

---

<sup>57</sup> Hilton Worldwide. "Quarterly Earnings Release: Fourth Quarter and Full Year 2015 Results." February 26, 2016. Accessed November 15, 2016 from <http://ir.hiltonworldwide.com/~media/Files/H/Hilton-Worldwide-IR-V2/quarterly-results/2015/Q4-2015-Earnings-Release.pdf>.

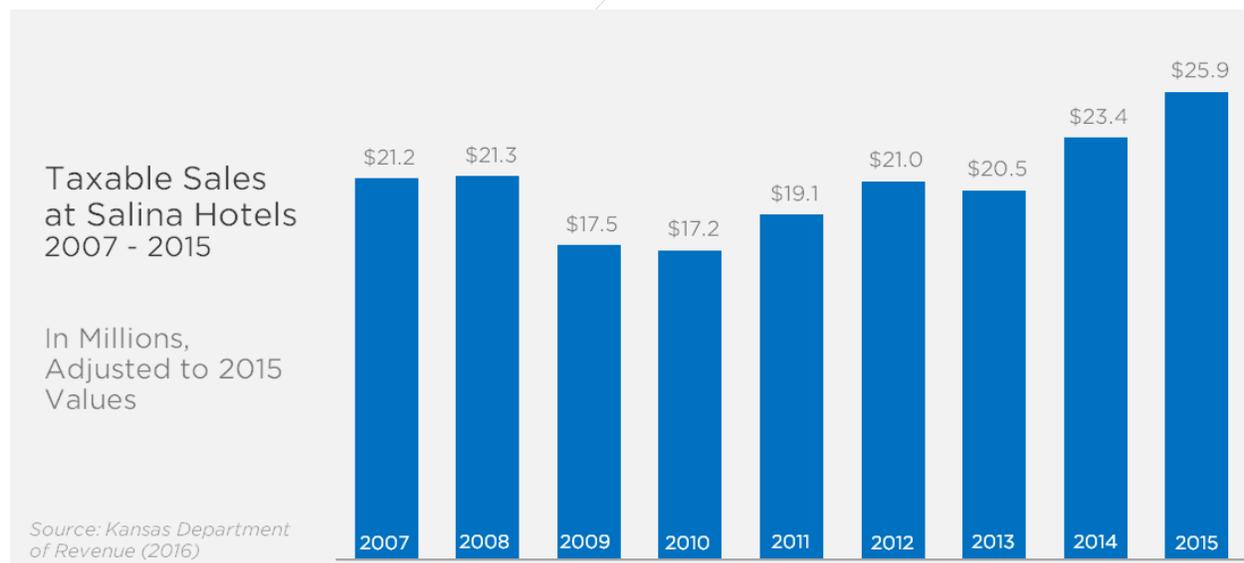
<sup>58</sup> Hilton Worldwide. "Quarterly Earnings Release: Third Quarter 2016 Results." October 26, 2016. Accessed November 15, 2016 from <http://ir.hiltonworldwide.com/~media/Files/H/Hilton-Worldwide-IR-V2/quarterly-results/2016/q3-2016-earnings-release-1.pdf>.

This results in a combined capturable tax rate of 14.9327 percent on hotel lodging within the STAR Bond District. At this tax rate, it is expected that the hotel could produce around \$597,000 annually in STAR Bond-eligible revenue from overnight guests (2016 dollars). But this still excludes the hotel’s restaurant and retail space which is discussed in the following section.

With the citywide inventory of hotel rooms increasing by ten percent over the next two years, the number of overnight guests per year would need to increase by a similar percentage in order for occupancy to remain stable throughout the city. Looking at the Chamber of Commerce’s estimation of 580,000 overnight guests per year, Salina would need to project an increase of about ten percent of overnight visitors, or another 58,000 hotel-nights per year, in order to maintain stable occupancy throughout their hotel inventory, or it is possible that hotel room supply could decrease if less competitive hotels leave the market as a result of competition. However, an individual hotel, such as the proposed Downtown Homewood Suites, could achieve higher occupancy by being more attractive in terms of location, amenities, value, or convenience. The approximately 41,400 visitor-nights generated by the Salina Fieldhouse in year three of operations will certainly help increase for hotel rooms, while other attractions, such as The Alley, the expanded Stiefel Theatre, and the Car Collection could also potentially boost the number of overnight guests.

## Retail and Dining

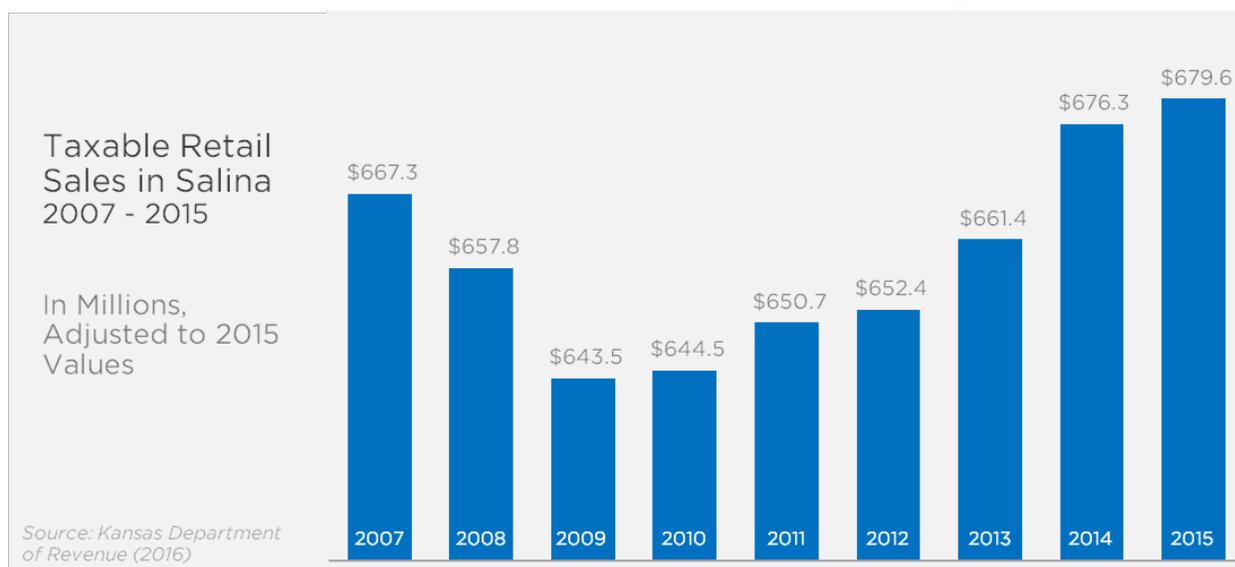
Overall within Salina, taxable sales at restaurants and retailers have been trending upward. **Taxable sales at Salina restaurants** fluctuated between \$80.2 and \$92.2 million dollars between 2007 and 2015, as shown below, with one outlier year in 2012, when taxable sales were particularly low (\$67.5 million). Unlike retail and accommodations, the restaurant sector was largely unaffected by the recession (2012 notwithstanding), and has grown slightly over time as the economy improved.



The number of restaurant establishments, meanwhile, has remained steady, with 116 food service and drinking places in 2007 and 121 places in 2015. From these data, it can be assumed that spending at restaurants will remain somewhat stable and constant in the near future, and may even continue a pattern of slow growth unless there is a major influx of additional visitors. The relatively fixed number of

establishments suggests that growth isn't necessarily sufficient to support the addition of many new restaurants without some loss of business to existing restaurants, again unless there is growth in net new visitors. Given that the restaurant business is notoriously competitive, any new restaurants will need to compare favorably to existing restaurants within Salina in order to achieve success.

**Taxable retail sales** seem to have been much more responsive to macroeconomic conditions than taxable restaurant sales. In Salina, taxable retail sales declined from \$667.3 million in 2007 to \$643.5 million in 2009, a decrease of four percent during the Great Recession. Since 2009, however, taxable retail sales have increased by an average of 0.9 percent each year, returning to pre-recession levels in 2014 and increasing to a high of \$679.6 million in 2015. Interestingly, the number of establishments decreased from 1,268 in 2007 to 1,098 in 2015, meaning that the recession led to the closure of a net 170 businesses. However, a number of businesses that survived or came online since the recession have since captured a greater portion of demand. In the near term, the behavior of the retail sector is expected to mirror general macroeconomic conditions, growing slowly in the absence of economic setbacks.



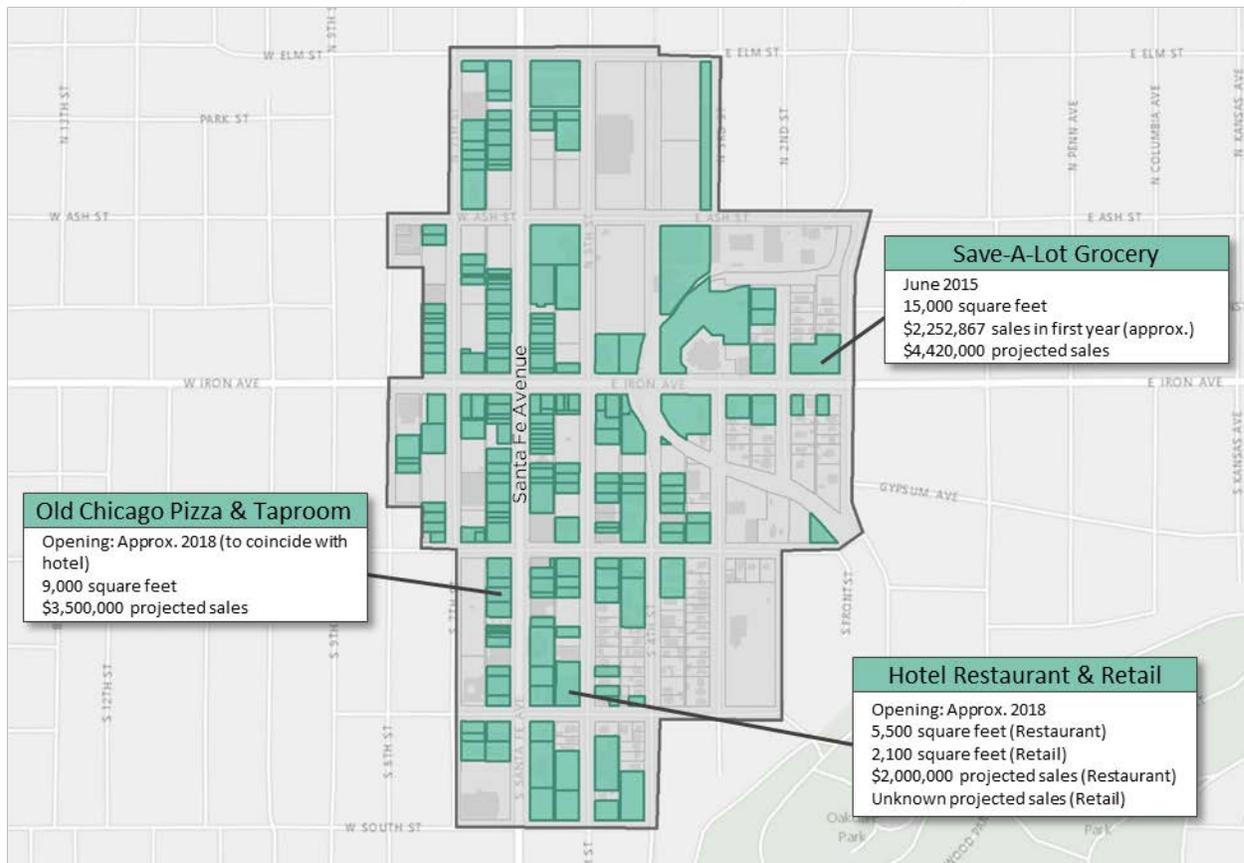
### Estimating Downtown's Retail and Dining Tax Revenues

The predominant land use within the Downtown Salina STAR Bond district is commercial. Many of these spaces occupy one- and two-story buildings along Santa Fe Street, downtown Salina's "main street" and original shopping district. According to an inventory prepared by Get on Track, LLC, last updated in April 2016,<sup>59</sup> there are 972,593 square feet of first floor commercial space within the STAR Bond district, of which 470,827 square feet, or 48 percent, is dedicated to retail or food and beverage uses. Of the retail and dining/drinking space, 295,514 square feet are occupied by businesses generating taxable sales, 28,120 square feet are occupied by businesses that are not generating taxable sales, and 147,193 square feet are vacant (a vacancy rate among retail space of over 30 percent).

<sup>59</sup> Get on Track LLC is a management consulting firm based in Manhattan, Kansas, that prepared a separate downtown floor area inventory for Salina 2020.

Unfortunately, sales information for all of the occupied retail and restaurant space is not available, so a smaller “sample” inventory list was created by Development Strategies of those businesses for which the City of Salina obtained sales information from State of Kansas officials. This enabled a “sample-based” estimate of sales per square foot for the downtown retail/dining businesses in 2016 dollars.<sup>60</sup> Moreover, Development Strategies verified or updated the Get on Track estimates of square feet per business using property tax public records and geographic information systems (GIS) software with aerial photography. A dataset was created that combined aggregated taxable sales data and business square footage for 62 downtown businesses for which both data points (sales and square feet) were available. Of the 295,514 occupied and taxable square feet identified in the Get on Track inventory, 206,269 square feet were accounted for in this smaller matched inventory. Collectively, these 62 business locations generated annual sales of \$88.40 per square foot during the STAR Bond district base period of June 1, 2014 to June 1, 2015.

## Commercial Parcels in the STAR Bond District



Also during this base period, the District produced \$33.2 million in total taxable sales, according to records obtained by City officials and share, in aggregate, with Development Strategies. These sales represented 3.3 percent of Salina’s citywide taxable sales which totaled a little over one billion dollars. Look-

<sup>60</sup> Only the city officials had access to the individual business sales. For confidentiality and legal reasons, Development Strategies did not see this information. Instead, the City provided aggregate sales data for all the inventoried businesses so that an overall sales-per-square foot estimate could be made.

ing at the subset of taxable sales categorized as retail or food service (corresponding to NAICS codes 44, 45, and 722),<sup>61</sup> the Downtown STAR Bond District generated 2.6 percent of Salina’s taxable retail or food service sales, which comprised \$19.9 million of Salina’s \$771.7 million total.

Of important note is that retail and restaurant merchants are not the only generators of taxable sales. In fact, based on the data above, Downtown’s retailers and restaurants produced only about six out of every ten taxable dollars (\$19.9 million ÷ \$33.2 million). The other 40 percent, by default, were paid by businesses not included in the retail and dining NAICS codes. Typically, this occurs with some business-to-business sales of taxable items as well as with taxable goods sold to consumers at merchants not classified as NAICS 44, 45, or 722. These might include, for example, hair salons whose sales for services are tax-exempt but who may also sell taxable goods such as shampoos or hair care tools.

As a result, projected future retail sales increments capturable for STAR Bond purposes are likely understated if limited to retailers and restaurants. The “premium” is addressed later when STAR Bond revenues are projected.

### Demand

Overall, District retailers and restaurants will benefit from the new activity generators proposed by Salina 2020 and from the extensive public realm improvements. Thus, Downtown should be able to attract spending that is now taking place in other parts of Salina as well as from new visitors. This movement of existing sales patterns from elsewhere in the city to Downtown is known as a shift effect.

### Local Shift Effect

For local residents, it is assumed that a shift effect would take place over time, with the amounts of shifted sales to local residents increasing over time in the Downtown as District activity increases. At present, District restaurants and retail merchants account for 2.6 percent of total such spending within Salina, as noted above and shown below.

	Amount Generated in District	Total Amount Generated in Salina	City’s Share of Total Generated in District
Total Taxable Sales	\$33,159,000	\$1,013,315,000	3.3%
Retail & Restaurant Sales Portion	\$19,938,000	\$771,752,000	2.6%

Through a combination of marketing, promotion, activity generation, and the continued creation of attractive retail and public spaces, it should be possible to increase the District’s share of Salina’s total restaurant and retail spending over time. The table below shows how the District may better capture some of the city’s existing retail spending over time. These projections are rather simply projected such that, by the end of 20 years, the District will capture roughly the same share of citywide retail/dining sales as it does today for all taxable sales (i.e., increasing from 2.6 percent to 3.3 percent—actually a little higher to 3.5 percent of citywide retail/restaurant sales in 2036).

<sup>61</sup> North American Industrial Classification System (NAICS) codes 44 and 45 comprise all retail kinds of businesses except eating and drinking establishments. Code 722 is for eating and drinking establishments.

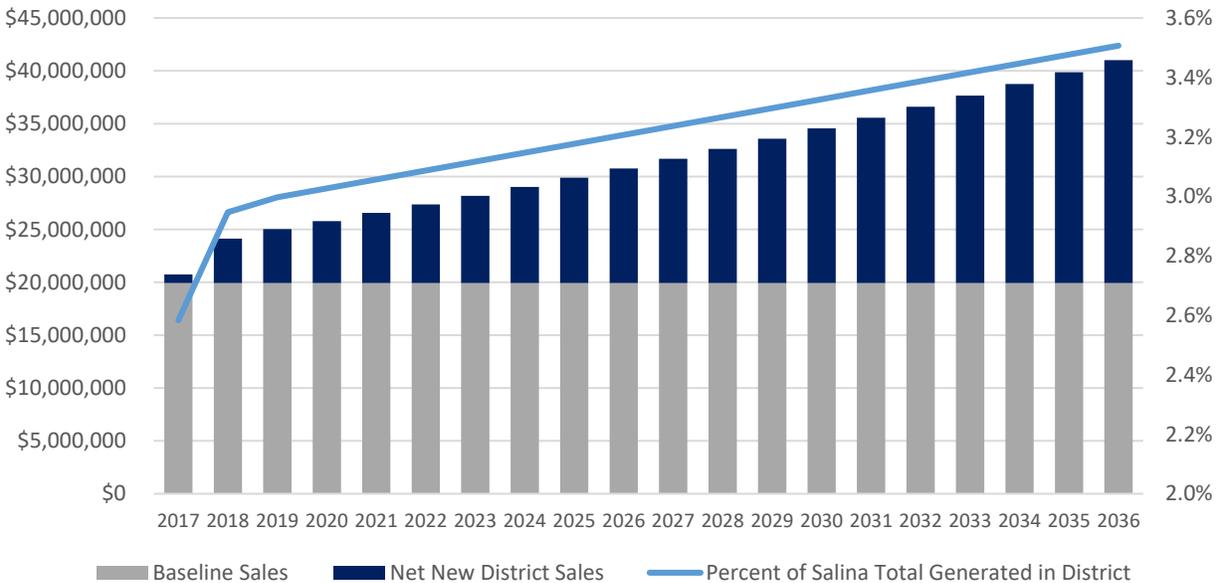
Starting from the baseline proportion of 2.6 percent, the share grows to almost 3.0 percent in 2018 with the opening of new attractions and activity generators, including District anchors and the new restaurants downtown. Following this initial spike, the District’s share of Salina’s overall restaurant and retail sales grows by 0.05 percent a year, eventually reaching 3.51 percent of all retail and restaurant sales in Salina in the year 2036. For the purpose of this analysis, total baseline retail and restaurant sales of \$771.8 million were used,<sup>62</sup> increased by 2 percent each year to account for inflation. At these growth rates, *net new* retail/dining spending in the District is expected to increase from \$805,000 in 2017 to \$19.9 million in 2036. A graph depicting this projection is on the next page.

Projected Growth in the Downtown STAR Bond District’s Share of Locally-Generated Citywide Retail and Restaurant Purchases, 2015 to 2036 Adjusted for Cumulative Annual 2.0 Percent Inflation			
	Percent of Salina Total Generated in District	Total Amount Generated in District	Net New District Sales
Baseline Retail & Restaurant Sales (2015)	2.58%	\$19,938,000	\$0
2017	2.58%	\$20,743,000	\$805,000
2018	2.95%	\$24,135,000	\$4,197,000
2019	3.00%	\$25,035,000	\$5,097,000
2020	3.03%	\$25,791,000	\$5,854,000
2021	3.06%	\$26,568,000	\$6,630,000
2022	3.09%	\$27,365,000	\$7,428,000
2023	3.12%	\$28,184,000	\$8,246,000
2024	3.15%	\$29,024,000	\$9,087,000
2025	3.18%	\$29,887,000	\$9,949,000
2026	3.21%	\$30,773,000	\$10,835,000
2027	3.24%	\$31,682,000	\$11,744,000
2028	3.27%	\$32,615,000	\$12,677,000
2029	3.30%	\$33,573,000	\$13,635,000
2030	3.33%	\$34,556,000	\$14,618,000
2031	3.36%	\$35,565,000	\$15,627,000
2032	3.39%	\$36,600,000	\$16,662,000
2033	3.42%	\$37,663,000	\$17,725,000
2034	3.45%	\$38,753,000	\$18,816,000
2035	3.48%	\$39,872,000	\$19,935,000
2036	3.51%	\$41,021,000	\$21,083,000

Source: Development Strategies

<sup>62</sup> Salina Total Retail Sales by NAICS Code, 2015. Source: Kansas Department of Revenue.

## Potential Growth in Total District Taxable Sales 2017 - 2036



### Spillover Effect from New Visitors

In addition to a greater amount of local spending shifting to the District, non-local visitors are also expected to bring a greater amount of spending not only to the District but also to the entire city. It is estimated that the District’s four principal anchors—the Salina Fieldhouse, America’s Crossroads Car Collection, the Stiefel Theatre, and The Alley—will bring in as many as 72,800 visits from communities outside of Salina in 2017, increasing to 97,400 visits in the year 2025.<sup>63</sup> Each per-person visit is assumed to generate some degree of “spillover spending” as visitors will also generate demand for restaurants, retail stores, and even lodging outside of their primary Salina destinations.<sup>64</sup>

In total, District attractions are expected to generate about \$2,662,000 in visitor-generated off-site spending in 2017, increasing to \$7,688,000 in 2036, in inflation-adjusted dollars.

Although the STAR Bond district presently captures approximately about 3.3 percent of *all* taxable sales within the City of Salina, it is assumed that visitors to the District’s new anchors, especially non-local visitors who may not be as familiar with Salina or who may be staying in the Downtown hotel, will make greater use of Downtown retail and restaurants than the average Salina resident. To estimate the portion of new revenue that could be captured Downtown, a capture rate of 20 percent was applied to total non-local visitor spending. That is, such visitors are projected to spend 20 percent of their re-

<sup>63</sup> The number of unique visitors may actually be somewhat lower because one visitor may visit multiple attractions, or make multiple visits through the course of the year.

<sup>64</sup> Details and sources of the non-local percentages, average lengths of stay, and spending per visit-day are described early in the body of the report in the sections dedicated to each attraction.

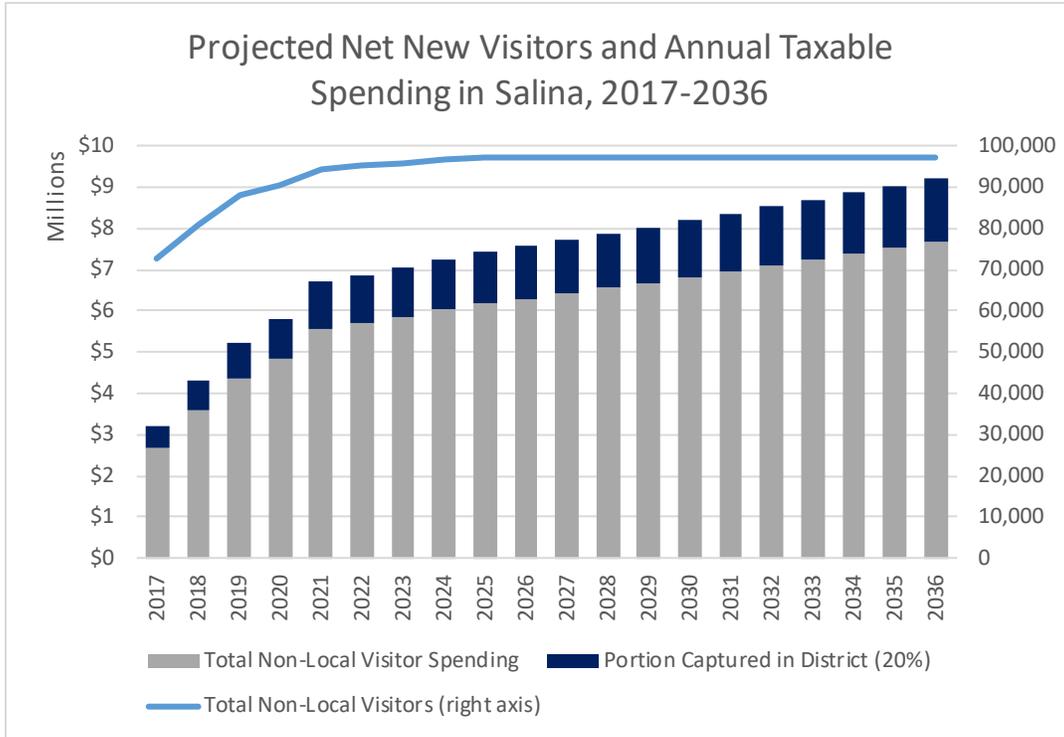
tail/dining dollars in the District. This would be much higher than the 2.6-to-3.5 percent projected above for local residents.<sup>65</sup>

Of course, the actual capture rate will be due to many factors, including strong efforts to market downtown and continuing to attract new businesses and activity, especially pedestrian activity. The remaining 80 percent not captured within the District will be spent at Salina establishments outside of the STAR bond district. A graph depicting this projection is on the next page.

Projected Growth in the Citywide and Downtown STAR Bond District's New Visitors' Retail and Restaurant Purchases, 2017 to 2036 Adjusted for Cumulative Annual 2.0 Percent Inflation			
	Total Non-Local Visitors	Total Non-Local Visitor Spending in Salina	Portion Captured in District (20%)
2017	72,800	\$2,662,000	\$532,000
2018	80,900	\$3,592,000	\$718,000
2019	88,000	\$4,364,000	\$873,000
2020	90,600	\$4,857,000	\$971,000
2021	94,300	\$5,579,000	\$1,116,000
2022	95,100	\$5,724,000	\$1,145,000
2023	95,900	\$5,874,000	\$1,175,000
2024	96,600	\$6,026,000	\$1,205,000
2025	97,400	\$6,183,000	\$1,237,000
2026	97,400	\$6,307,000	\$1,261,000
2027	97,400	\$6,433,000	\$1,287,000
2028	97,400	\$6,561,000	\$1,312,000
2029	97,400	\$6,693,000	\$1,339,000
2030	97,400	\$6,826,000	\$1,365,000
2031	97,400	\$6,963,000	\$1,393,000
2032	97,400	\$7,102,000	\$1,420,000
2033	97,400	\$7,244,000	\$1,449,000
2034	97,400	\$7,389,000	\$1,478,000
2035	97,400	\$7,537,000	\$1,507,000
2036	97,400	\$7,688,000	\$1,538,000

Source: Development Strategies

<sup>65</sup> It should not be expected that out-of-town visitors would spend all of their dollars Downtown. For one thing, many of them will not be staying at the new Downtown hotel. There are many other excellent lodging options in the city, and visitors can be expected to spend not only their hotel dollars outside of Downtown but probably also most of their breakfast and dinner dollars, let alone gasoline and many other typical retail purchases. Even those visitors not staying overnight are likely to be attracted to the many stores and restaurants south of Downtown.



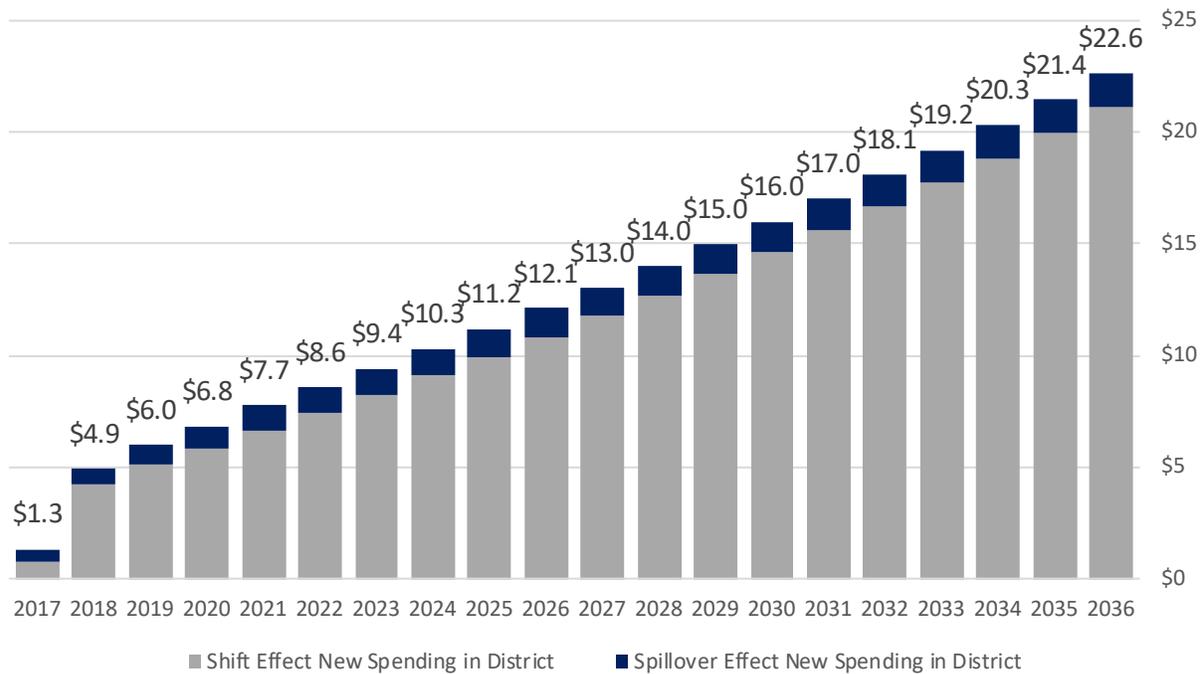
### Overall Effect on Downtown Retail and Dining Sales

Combining the projections of the two prior tables, total net new demand in the District would increase from \$1.3 million in 2017 to \$22.6 million in 2036. A graph depicting this projection is on the next page.

Projected Growth in the Downtown STAR Bond District’s Retail and Restaurant Purchases, 2017 to 2036 (Inflation-Adjusted Dollars) Adjusted for Cumulative Annual 2.0 Percent Inflation			
	Total Shift – Existing Spending	Total Non-Local Visitor Spending (Spillover Effect) 20% District Capture	Total Spending: Shift Effect & Spillover Effect
2017	\$805,000	\$532,000	\$1,338,000
2018	\$4,197,000	\$718,000	\$4,915,000
2019	\$5,097,000	\$873,000	\$5,970,000
2020	\$5,854,000	\$971,000	\$6,825,000
2021	\$6,630,000	\$1,116,000	\$7,746,000
2022	\$7,428,000	\$1,145,000	\$8,572,000
2023	\$8,246,000	\$1,175,000	\$9,421,000
2024	\$9,087,000	\$1,205,000	\$10,292,000
2025	\$9,949,000	\$1,237,000	\$11,186,000
2026	\$10,835,000	\$1,261,000	\$12,096,000
2027	\$11,744,000	\$1,287,000	\$13,031,000
2028	\$12,677,000	\$1,312,000	\$13,989,000
2029	\$13,635,000	\$1,339,000	\$14,973,000
2030	\$14,618,000	\$1,365,000	\$15,983,000
2031	\$15,627,000	\$1,393,000	\$17,019,000

2032	\$16,662,000	\$1,420,000	\$18,083,000
2033	\$17,725,000	\$1,449,000	\$19,174,000
2034	\$18,816,000	\$1,478,000	\$20,293,000
2035	\$19,935,000	\$1,507,000	\$21,442,000
2036	\$21,083,000	\$1,538,000	\$22,621,000

Projected Retail and Restaurant Spending in Downtown Salina Due to Shift and Spillover Effects, 2017-2036 (Millions of Inflation Adjusted Dollars)



However, there are two restaurants in planning stages that are poised to capture a portion of this new demand:

- Old Chicago Pizza & Taproom.** In 2016, it was announced that the 9,000-square foot historic 1903 office building at 214 South Santa Fe Street would be converted into an Old Chicago Pizza & Taproom. Old Chicago is a casual dining restaurant that specializes in deep-dish pizza and craft beer. Restaurants usually occupy about 4,000 to 6,000 square feet with a 1,200-square foot patio. A typical restaurant derives 62 percent of its revenue from food sales and the remaining 38 percent from beverage sales.<sup>66</sup> The Salina Old Chicago restaurant will occupy about 8,600 square feet, with about 800 square feet of outdoor seating. The restaurant will also feature a 975-square foot meeting room with seating for 64.<sup>67</sup> The initial sales estimates for this Old Chicago Pizza & Taproom location is \$3,500,000 per year, with the restaurant set to open in late 2018 or early 2019. This restaurant will activate a space that is currently vacant and provide additional dining options for Downtown Salina visitors.

<sup>66</sup> Old Chicago Pizza & Taproom. "Take a Closer Look at Our Key Stats." Date unknown. Accessed October 25, 2016 from <http://ocfranchising.com/take-a-closer-look-at-our-key-stats/>.

<sup>67</sup> Salina Old Chicago Preliminary Plan. Dated October 21, 2016. Sent by Don Boos October 28, 2016.

- **Homewood Suites by Hilton Restaurant.** In addition to guest rooms, the Homewood Suites by Hilton on Mulberry Street between Santa Fe Street and Fifth Street will also include a 5,500-square foot full-service restaurant that will be open for lunch, dinner, and breakfast/brunch on the weekends. This restaurant will be comparable in quality to a Houlihan's or a Houston's, where dinner entrees range in price from \$15 to \$25. It is projected that this restaurant will have annual taxable sales of approximately \$2,500,000.<sup>68</sup> Additionally, the hotel will feature 2,000 to 2,100 square feet of retail within the building, but specific tenants have not been chosen and revenues have not yet been projected.

In sum, the two new restaurants will add 14,500 square feet of restaurant space to the District which are projected to generate \$6,000,000 in combined taxable sales.

A third retailer, Save-A-Lot, will add to the taxable sales base of the District. Located at the corner of South Second Street and East Iron Avenue, the Save-A-Lot opened in June 2015 at the site of a former Dillon's grocery store that closed in 2012. The Save-A-Lot, the first of its kind in Salina, was developed by Blue Beacon, the City of Salina, the Salina Chamber of Commerce, and the private business community in order to have a grocery store to serve Downtown and north Salina. The Save-A-Lot measures 15,000 square feet, which is typical of this grocer. During its first year of operation, this Save-a-Lot location reported approximately \$2,250,000 in sales, or about \$43,000 in sales per week. According to DJL, a supermarket location research consulting firm, the average Save-A-Lot has sales of about \$85,000 per week,<sup>69</sup> so sales at this location are not as strong as expected. It is assumed that sales at this Save-A-Lot location will increase by 2 percent each year due to inflation. Because grocery stores are less of a destination location, it is assumed that patronage of this grocery store will increase steadily from local residents and residential growth Downtown, and not capture a large portion of the predicted increase in new Downtown visitor spending.

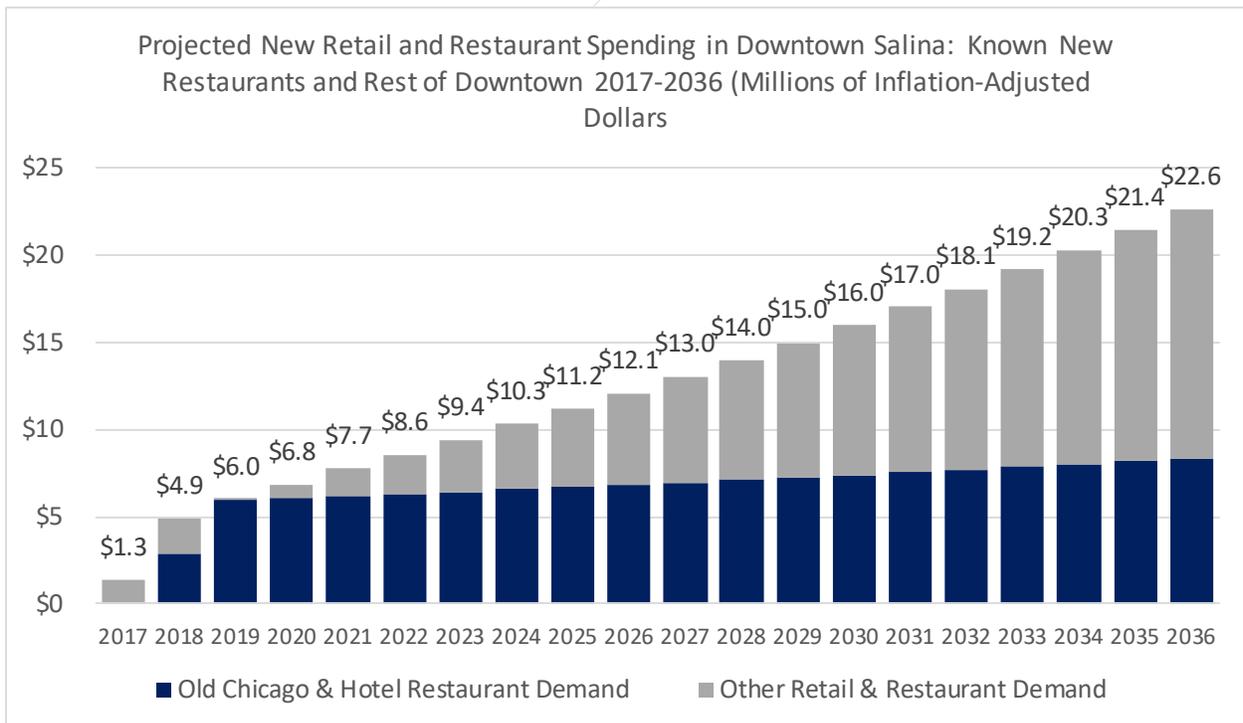
---

<sup>68</sup> Phone conversation with Don Boos, Director of Development, Blue Beacon International, Inc. October 28, 2016.

<sup>69</sup> Livingston, David J. "Limited Assortment Stores – And Then There Was One." *DJL Supermarket Location Research*. June 9, 2016. Accessed October 10, 2016 from <http://www.davidjlivingston.com/limited-assortment-stores-and-then-there-was-one/>.

**Projected Net New Taxable Spending for Existing and Known Future Retailers and Restaurants in Downtown Salina, 2017 to 2036  
(Inflation-Adjusted Dollars)**

	Total Spending: Shift Effect & Spillover Effect	Amount Captured at Old Chicago & Hotel Restaurant	Total Spending: Shift Effect & Spillover Effect
2017	\$1,338,000	\$0	\$1,338,000
2018	\$4,915,000	\$2,918,000	\$1,997,000
2019	\$5,970,000	\$5,953,000	\$17,000
2020	\$6,825,000	\$6,072,000	\$753,000
2021	\$7,746,000	\$6,194,000	\$1,552,000
2022	\$8,572,000	\$6,318,000	\$2,255,000
2023	\$9,421,000	\$6,444,000	\$2,977,000
2024	\$10,292,000	\$6,573,000	\$3,719,000
2025	\$11,186,000	\$6,704,000	\$4,481,000
2026	\$12,096,000	\$6,839,000	\$5,258,000
2027	\$13,031,000	\$6,975,000	\$6,055,000
2028	\$13,989,000	\$7,115,000	\$6,875,000
2029	\$14,973,000	\$7,257,000	\$7,716,000
2030	\$15,983,000	\$7,402,000	\$8,581,000
2031	\$17,019,000	\$7,550,000	\$9,469,000
2032	\$18,083,000	\$7,701,000	\$10,381,000
2033	\$19,174,000	\$7,855,000	\$11,319,000
2034	\$20,293,000	\$8,012,000	\$12,281,000
2035	\$21,442,000	\$8,173,000	\$13,269,000
2036	\$22,621,000	\$8,336,000	\$14,284,000



## Housing in Downtown Salina

The STAR Bond district encompasses a small area of residential development on its eastern edge. Esri<sup>70</sup> estimates that the District is home to 453 residents living in 278 housing units as of mid-2016. Of these housing units, 63 percent are detached single family homes, 34 percent are multifamily, and three percent are of other configurations (often manufactured or mobile homes).

Only 78 percent of the housing units are occupied, however, compared to 93 percent for the entire city of Salina. Of these occupied units (or households), 80 percent of housing units are renter-occupied and 20 percent are owner-occupied. Median housing value of owner-occupied units is substantially lower (\$75,600) in the STAR Bond district than in Salina as a whole (\$125,800).

Household Overview		
Description	Star Bond Area	Salina
<b>Housing Units (2016)</b>	278	21,189
<b>Occupied Housing Units (2016)</b>	217	19,661
Occupancy Rate	78%	93%
<b>Housing Units by Units in Structure (2010-2014)</b>		
1	63%	77%
2 to 9	16%	12%
10 to 19	0%	3%
20 or more	17%	4%
Other	3%	5%
<b>Tenure of Occupied Housing Units (2016)</b>		
Percent Owner Occupied Units	20%	62%
Percent Renter Occupied Units	80%	38%
<b>Households by Household Size (2010)</b>		
One Person	61%	32%
Two Persons	20%	34%
Three Persons	9%	14%
Four or More Persons	9%	20%
<b>Median Housing Value (2016)</b>	\$75,625	\$125,770

© ESRI, 2016

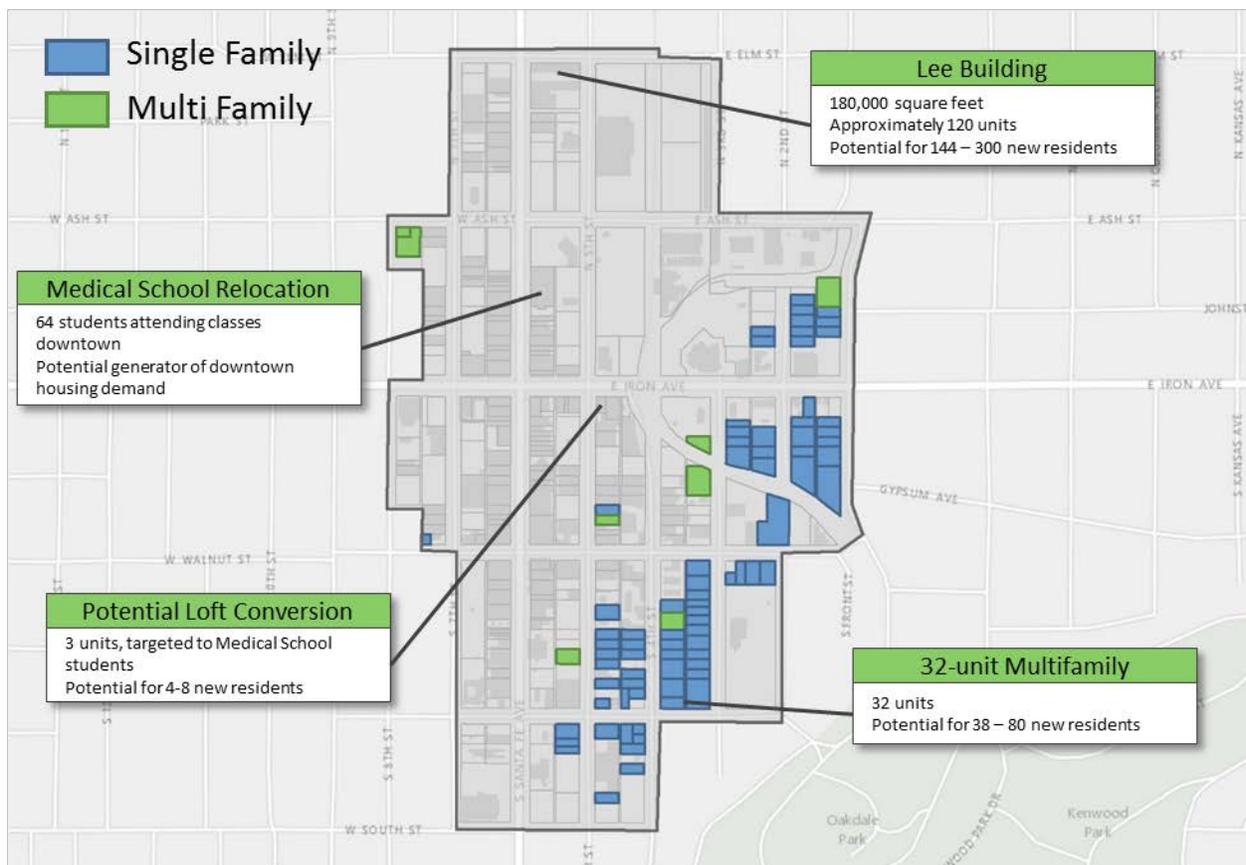
Compared to housing elsewhere in Salina, housing units in the STAR Bond district are older, with a median year built of 1954, compared to 1963 in Salina. Both geographies have a small proportion of new housing built since 2000 (five to seven percent), but Salina has a much greater proportion of housing built from 1980 to 1999 and from 1940 to 1959 compared to the STAR Bond district, where over forty percent of the housing was built in 1939 or earlier. Depending on the condition and architectural value of existing historic housing, there may be opportunities for Downtown historic preservation efforts.

<sup>70</sup> Esri is an independent vendor of socio-economic data to which Development Strategies subscribes for information at small and non-standard geographic areas such as Downtown Salina.

Year Built		
Description	Star Bond Area	Salina
<b>Median Year Built (2010-2014)</b>	1954	1963
2000 or later	5%	7%
1980 - 1999	6%	19%
1960 - 1979	30%	29%
1940 - 1959	18%	32%
1939 or Earlier	41%	14%

© ESRI, 2016

## Residential Parcels in the STAR Bond District



For the time being, the overall number of housing units Downtown and the number of residents living Downtown is expected to remain stable, but three projects in planning phases could significantly increase the population of Downtown in the long run. This growth should, in turn, help to increase the demand for retail and dining in the Downtown area.

- **Lee Building Renovation and Reuse:** The H.D. Lee Buildings are a complex of three connected buildings located in the Historic Lee District at the northern edge of the STAR Bond district at 248-254 North Santa Fe Street. Two of the buildings date to 1904, while one of the buildings was expanded in 1927. The buildings originally served as the H. D. Lee Mercantile Company, the Lee Hardware

Store, and warehouse storage. The buildings, which measure approximately 180,000 square feet, have been vacant since 2005. In recent years, there has been some interest in converting the buildings to affordable housing with the help of Low Income Housing Tax Credits (LIHTC). Different proposals for the buildings have included as many as 120 units (both market rate and affordable), as well as retail or other mixed uses, however, none have progressed beyond the planning stage.<sup>71</sup> If developed into 120 units, the building could eventually add between 144 and 300 new residents to Downtown Salina.

- **32-Unit New Market Rate Multifamily Construction:** Blue Beacon has acquired property for the eventual construction of two new multifamily buildings totaling 32 units on Mulberry Street between Fourth Street and Third Street. However, at present, market conditions do not support the development of market rate multifamily housing as planned at this location.<sup>72</sup> There is hope that the completion of all STAR Bond district components (in 2017 and 2018) will create the market conditions necessary to support this development, therefore it is possible that these new units could bring approximately 38 to 80 new residents into the Downtown STAR Bond district.
- **Kansas University Medical School Relocation:** The medical school will move from its current location within the 16,000-square foot Braddick Building on the Salina Regional Health Center campus, where it opened in 2011, to the 40,000-square foot building at 138 N. Santa Fe in June 2018, following an approximately \$7.6 million renovation. The four-year program has eight students per year, or 32 students total, as well as eight staff members. Over the next three years, beginning with the 2017-2018 school year, there are plans to double each incoming class to 16 students, for an eventual total of 64 students.<sup>73</sup> Students at the medical school are responsible for arranging their own housing, so there is potential demand for housing convenient to the medical school and the health center within the STAR Bonds district. In conjunction with the medical school relocation, there is the potential for the conversion of the 3,000-square foot second floor of a privately-owned building at the southeast corner of Fifth Street and Iron Avenue into three apartments targeted towards medical school students, which could add between four and eight new residents in this location.<sup>74</sup>

### Demand for Downtown Housing

Though residential development is not yet underway, the three projects above have the potential to add a significant number of new residents to the Downtown STAR Bond district and create greater demand for nearby retail, restaurants, and entertainment. Esri projects that the entire city should grow slowly over the next five years, adding about 226 residents by 2021. Thus, it is reasonable to assume that a percentage of this growth can be captured within Downtown, especially given the planned public realm improvements, convenient location, and additional anchors to draw more visitors for shopping, dining, recreation, and entertainment.

---

<sup>71</sup> Phone conversation with Mike Forrestal, building owner, November 1, 2016.

<sup>72</sup> Phone conversation with Don Boos, Director of Development, Blue Beacon International, Inc. October 28, 2016.

<sup>73</sup> Phone conversation with Tom Martin, Executive Director, Salina Regional Health Center Foundation. October 25, 2016.

<sup>74</sup> Phone conversation with Jim Trower, Woods and Durham. November 8, 2016.

Anticipated Housing Developments in Downtown Salina and Estimated Population Increase				
	Timeline	Number of Units	Average Occupants per Unit	Total Potential New Residents
Lee Building Re-use	Unknown	120	1.2 – 2.5	144 - 300
New 32-unit Multifamily	Potentially 2018-2019	32	1.2 – 2.5	38 - 80
Medical School Relocation/Potential Loft Conversion	2018 (Medical School Relocation) Unknown (Loft Conversion)	3	1.2 – 2.5	4 – 8
Total Potential New Residents				186 - 388
Current Downtown Population				459
Percent Increase in Downtown Population				41% - 85%

### Sales Tax Implications

The addition of between 186 and 388 potential residents, or approximately 155 households, would bring new residents and their spending power closer to Downtown Salina retailers, restaurants, and entertainment venues. The Bureau of Labor Statistics’ Consumer Expenditure Survey reports that, across all income levels, food accounts for 12.5 percent of expenditures, household furnishings and supplies account for 4.2 percent, entertainment accounts for 5.1 percent, to name a few of the categories that generate taxable spending.<sup>75</sup> The exact amount of new disposable income brought into Downtown will depend on the price of new housing products and the income level of renters as a result. However, assuming Salina’s median household income of \$43,900, as much as \$6.8 million in pre-tax income could be earned by new households living within the STAR Bond district, with a portion of that income spent at convenient Downtown establishments.

For the purposes of estimating STAR Bond eligible revenue, the addition of new residents is not included in the model. However, adding new residents should be discussed as a long-term strategy for revitalizing Downtown by increasing Downtown activity and retail demand, which will positively impact revenue generation within the District.

<sup>75</sup> Bureau of Labor Statistics. Consumer Expenditure Survey, 2015. Accessed November 1, 2016, from <http://www.bls.gov/cex/2015/combined/income.pdf>

## Conclusion: STAR Bond-Eligible Tax Revenue Projections

Major conclusions of STAR Bond-eligible tax revenue projections from the major sources discussed in this report are summarized on the following table for the 20-year period of 2017 through 2035. All dollar amounts reflect both anticipated real growth in tax revenues as well as an annual inflation rate of two percent, cumulative over the entire period. Altogether, about \$50.8 million is expected to be accumulated.

This table, however, includes only those taxes projected to be generated by the new hotel (sales taxes and transient lodging taxes) and by retail and restaurant merchants (sales taxes only). Based on actual sales taxes collected in the Downtown STAR Bond District in 2015, businesses classified as retailers and restaurants (there are no present hotels) generated only 60 percent of those taxes. The other 40 percent of collections, therefore, must have come from businesses classified something other than retailing and dining.

Projected Sales and Transient Taxes Generated to Support STAR Bonds <sup>1</sup> Excluding Potential Tax Collections from Non-Retail/Dining Businesses								
	Hotel Rooms	Old Chicago & Hotel Restaurant	Save-A-Lot	Downtown Restaurants & Retail <sup>2,3</sup>	America's Crossroads Car Collection	Stiefel Theatre	The Alley	Total Eligible Taxes Generated
2017 Year 1	\$ -	\$ -	\$ 201,700	\$ 184,300	\$ -	\$ 6,100	\$ -	\$ 392,100
2018 Year 2	316,700	243,800	205,800	240,900	3,500	9,300	177,300	1,197,300
2019 Year 3	646,000	497,300	209,900	76,900	7,200	12,600	361,600	1,811,500
2020 Year 4	658,900	507,200	214,100	139,900	7,300	16,100	368,900	1,912,400
2021 Year 5	672,100	517,400	218,300	208,200	7,500	19,700	376,300	2,019,500
2022 Year 6	685,600	527,700	222,700	268,500	7,600	23,500	383,800	2,119,400
2023 Year 7	699,300	538,300	227,200	330,400	7,800	27,400	391,500	2,221,900
2024 Year 8	713,300	549,000	231,700	394,000	8,000	31,400	399,300	2,326,700
2025 Year 9	727,500	560,000	236,300	459,400	8,100	35,600	407,300	2,434,200
2026 Year 10	742,100	571,200	241,100	525,900	8,300	36,300	415,400	2,540,300
2027 Year 11	756,900	582,600	245,900	594,300	8,400	37,000	423,700	2,648,800
2028 Year 12	772,100	594,300	250,800	664,500	8,600	37,800	432,200	2,760,300
2029 Year 13	787,500	606,200	255,800	736,600	8,800	38,500	440,800	2,874,200
2030 Year 14	803,300	618,300	260,900	810,700	9,000	39,300	449,700	2,991,200
2031 Year 15	819,300	630,700	266,200	886,700	9,100	40,100	458,700	3,110,800
2032 Year 16	835,700	643,300	271,500	964,800	9,300	40,900	467,800	3,233,300
2033 Year 17	852,400	656,100	276,900	1,045,100	9,500	41,700	477,200	3,358,900
2034 Year 18	869,500	669,300	282,500	1,127,500	9,700	42,500	486,700	3,487,700
2035 Year 19	886,900	682,600	288,100	1,212,000	9,900	43,400	496,500	3,619,400
2036 Year 20	904,600	696,300	293,900	1,298,900	10,100	44,200	506,400	3,754,400
<b>Totals</b>	<b>\$ 14,149,700</b>	<b>\$ 10,891,600</b>	<b>\$ 4,901,300</b>	<b>\$ 12,169,500</b>	<b>\$ 157,700</b>	<b>\$ 623,400</b>	<b>\$ 7,921,100</b>	<b>\$ 50,814,300</b>

<sup>1</sup>Assumes the effective STAR Bond-eligible rates of 6.58% for transient guest tax and 8.3527% for state and local retail sales tax.

<sup>2</sup>Includes growth in sales/revenues of current downtown merchants and increased occupancies of currently vacant retail/dining spaces.

<sup>3</sup>Includes the additional revenue generated by the special sales tax effective October 1, 2016 and the sales generated at existing retailers from new visitors.

The table on the following page adds that 40 percent “premium” into the dollars shown above. The 40 percent premium, however, is applied only to the growth in what are now the sales at existing stores and restaurants since that is the basis of the 40 percent premium today. While there is projected to be substantial increases in sales taxes generated at most of the new anchors for Downtown, it is not assumed that the non-retail/dining sales taxes will grow commensurately with that net new growth.

The result is that the 20-year accumulation of funds in inflation-adjusted dollars would increase about ten percent, from \$50.8 million, above, to almost \$55.7 million, below

Projected Sales and Transient Taxes Generated to Support STAR Bonds <sup>1</sup> Including Potential Tax Collections from Non-Retail/Dining Businesses									
	Hotel Rooms	Old Chicago & Hotel Restaurant	Save-A-Lot	Downtown Restaurants & Retail <sup>2,3</sup>	America's Crossroads Car Collection	Stiefel Theatre	The Alley	Non-Retail/Dining <sup>4</sup>	Total Eligible Taxes Generated
2017 Year 1	\$ -	\$ -	\$ 201,700	\$ 184,300	\$ -	\$ 6,100	\$ -	\$ 73,500	\$ 465,600
2018 Year 2	316,700	243,800	205,800	240,900	3,500	9,300	177,300	96,100	\$ 1,293,400
2019 Year 3	646,000	497,300	209,900	76,900	7,200	12,600	361,600	30,700	\$ 1,842,200
2020 Year 4	658,900	507,200	214,100	139,900	7,300	16,100	368,900	55,800	\$ 1,968,200
2021 Year 5	672,100	517,400	218,300	208,200	7,500	19,700	376,300	83,000	\$ 2,102,500
2022 Year 6	685,600	527,700	222,700	268,500	7,600	23,500	383,800	107,100	\$ 2,226,500
2023 Year 7	699,300	538,300	227,200	330,400	7,800	27,400	391,500	131,700	\$ 2,353,600
2024 Year 8	713,300	549,000	231,700	394,000	8,000	31,400	399,300	157,100	\$ 2,483,800
2025 Year 9	727,500	560,000	236,300	459,400	8,100	35,600	407,300	183,200	\$ 2,617,400
2026 Year 10	742,100	571,200	241,100	525,900	8,300	36,300	415,400	209,700	\$ 2,750,000
2027 Year 11	756,900	582,600	245,900	594,300	8,400	37,000	423,700	237,000	\$ 2,885,800
2028 Year 12	772,100	594,300	250,800	664,500	8,600	37,800	432,200	264,900	\$ 3,025,200
2029 Year 13	787,500	606,200	255,800	736,600	8,800	38,500	440,800	293,700	\$ 3,167,900
2030 Year 14	803,300	618,300	260,900	810,700	9,000	39,300	449,700	323,200	\$ 3,314,400
2031 Year 15	819,300	630,700	266,200	886,700	9,100	40,100	458,700	353,500	\$ 3,464,300
2032 Year 16	835,700	643,300	271,500	964,800	9,300	40,900	467,800	384,700	\$ 3,618,000
2033 Year 17	852,400	656,100	276,900	1,045,100	9,500	41,700	477,200	416,700	\$ 3,775,600
2034 Year 18	869,500	669,300	282,500	1,127,500	9,700	42,500	486,700	449,600	\$ 3,937,300
2035 Year 19	886,900	682,600	288,100	1,212,000	9,900	43,400	496,500	483,200	\$ 4,102,600
2036 Year 20	904,600	696,300	293,900	1,298,900	10,100	44,200	506,400	517,900	\$ 4,272,300
<b>Totals</b>	<b>\$ 14,149,700</b>	<b>\$ 10,891,600</b>	<b>\$ 4,901,300</b>	<b>\$ 12,169,500</b>	<b>\$ 157,700</b>	<b>\$ 623,400</b>	<b>\$ 7,921,100</b>	<b>\$ 4,852,300</b>	<b>\$ 55,666,600</b>

<sup>1</sup>Assumes the effective STAR Bond-eligible rates of 6.58% for transient guest tax and 8.3527% for state and local retail sales tax.

<sup>2</sup>Includes growth in sales/revenues of current downtown merchants and increased occupancies of currently vacant retail/dining spaces.

<sup>3</sup>Includes the additional revenue generated by the special sales tax effective October 1, 2016 and the sales generated at existing retailers from new visitors.

<sup>4</sup>The District presently generates 40% MORE sales taxes than a strict accounting of retail stores and restaurants indicates. These extra sales taxes are generated by business-to-business sales as well as from types of businesses not ordinarily classified as retail but which, nonetheless, collect sales taxes on some of their sales. An example might be a plumbing contractor who must collect sales taxes on the parts he/she installs, but not on the plumbing services themselves. This column assumes that such non-retail/restaurant sales taxes will grow at the same rate as sales at existing stores and restaurants--the "Downtown Retail" column.