APPENDIX:
STAR BOND REVENUE STUDY—SALINA, KANSAS

November 19, 2018

City of Salina

DEVELOPMENT STRATEGIES®
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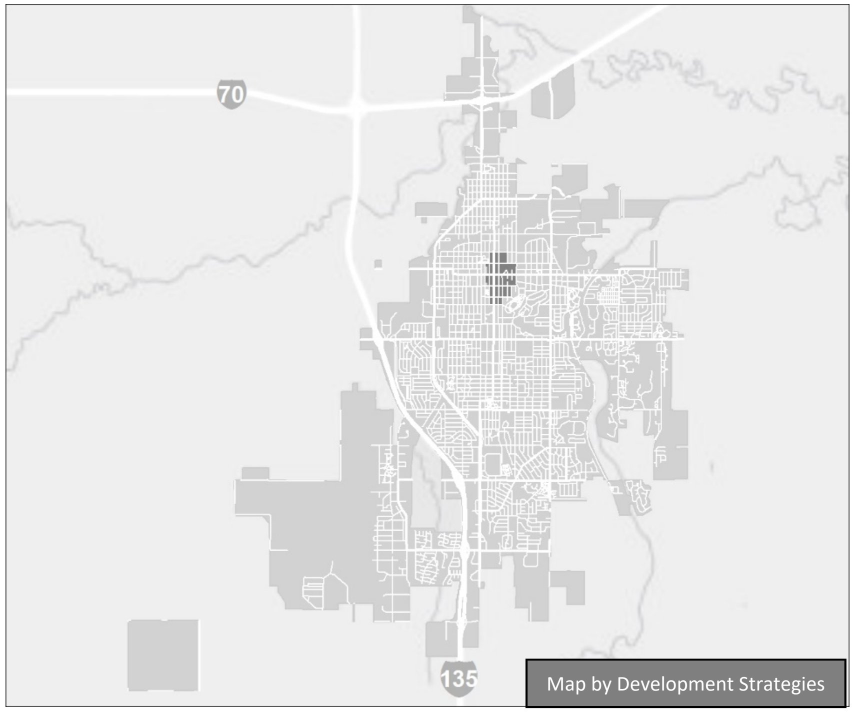
This appendix is issued as a supplement to the *STAR Bond Revenue Study*. It includes additional analysis for certain components of the project, as well as information required by STAR Bond guidance that should be kept on file by the City of Salina.

APPENDIX 1: PROFILE OF SALINA



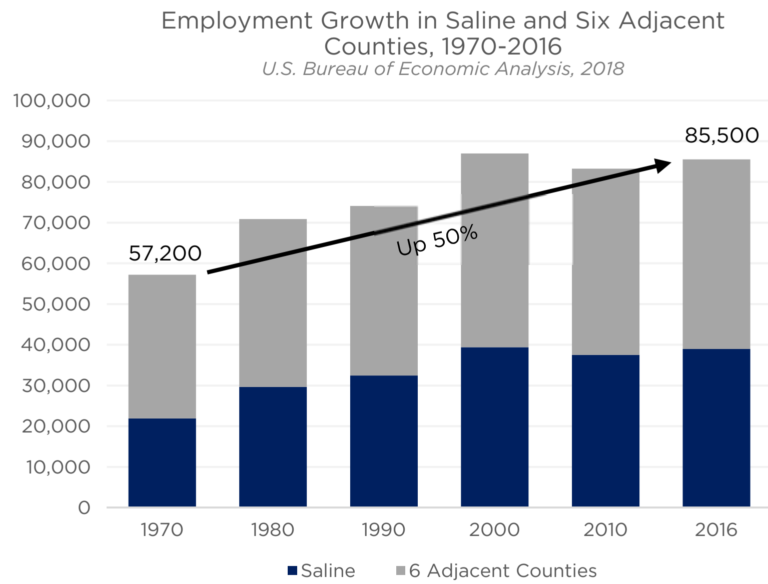
Salina, Kansas, is a medium-sized city located in the Smoky Hills region of the Great Plains. Originally a trading post located in what is now north-central Kansas, the city grew with the arrival of the railroad in the 1860s. Salina benefitted greatly from this new transportation network, which allowed 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.

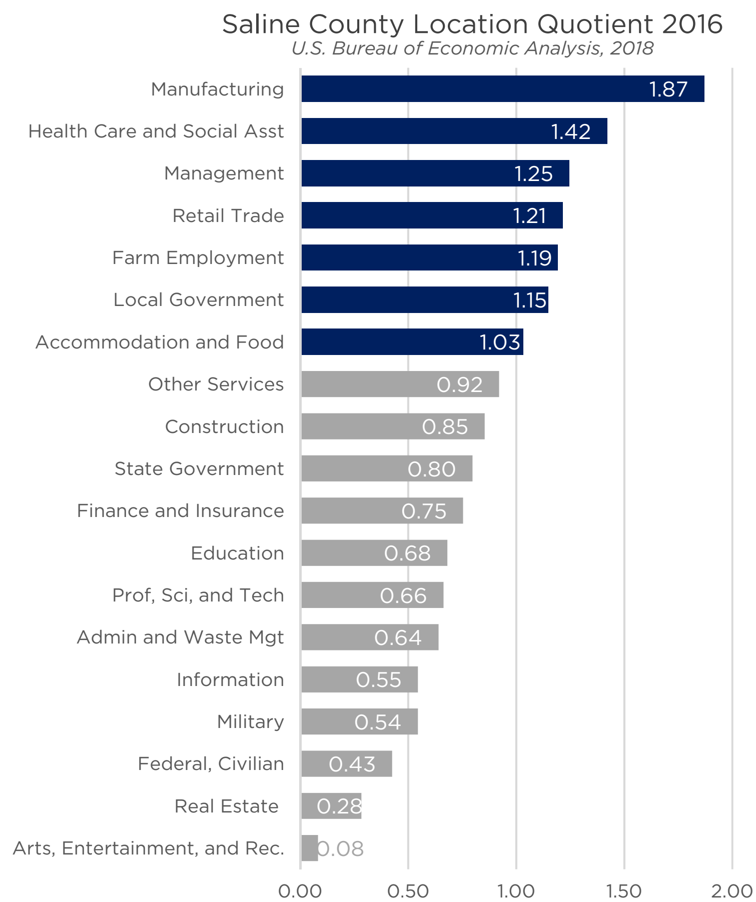
Today, the city of Salina is home to approximately 48,000 residents. The city has had a relatively stable population since 2000, increasing just 4.5 percent over this time, or approximately 2,000 residents. Conversely, the total population in the state has increased 13 percent since 2000. Outside of the city, the region remains largely rural. Approximately 34,000 additional residents live within 30 miles of Salina, many of whom travel to Salina for shopping, entertainment, and other needs. The nearest city of 20,000 or more people is Junction City (pop. 23,000), located 44 miles to the west along Interstate 70, and the nearest large city is Wichita (pop. 400,000, metro area 661,000), about 80 miles south along Interstate 135. As the largest city in 50 miles, Salina serves the principal population and economic center in north-central Kansas; and 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, with Saline County emerging as the center of that economy. According to data from the U.S. Bureau of Economic Analysis (BEA), between 1970 and 2016 the total number of jobs in Saline County and the six counties that border Saline County[1] increased by 50 percent.

The total number of jobs in Saline County alone increased by 78 percent, or more than 17,000 jobs, from 1970 to 2016, which is approximately 1.5 times the growth rate of the other six counties. Saline County's share of the seven-county jobs grew from 38 percent in 1970 to 46 percent as of 2016 data, accounting for the largest proportion of jobs over the past 46 years.

The location quotient (LQ) of industry employment in Saline County compared to the nation is displayed in graph to the right. Manufacturing is the most significant economic sector in Saline County with nearly double the proportion of manufacturing jobs when compared the nation as a whole. The second highest location quotient is for health care and social assistance, a growing industry that is generally well paying, while the third largest industry is "management of companies and enterprises." Large employment in the management of companies and enterprises field indicates Saline County[2] is home to a relatively large





[1] Dickinson, Ellsworth, Lincoln, McPherson, Marion, and Ottawa counties.

[2] 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.

cohort of headquarters operations and the commensurate employment and talent associated with managing business operations. A further indication of the above average leadership capacity in the county.

Retail trade in Saline County ranks as the fourth largest employment sector when compared to the U.S. economy with a location quotient of 1.21.[3] Retail trade is a key indicator of the strength of the tourism economy. The other key indicator is the accommodation and food sector where Saline LQ is a modest 1.03. Both of these LQs demonstrate that Saline County is able to attract more spending for retail and dining, as well as more overnight travelers, than its own population can support.

Farm employment in Saline County ranks as the fifth most significant job sector when compared to the American economy in 2016. In fact, in relative terms, farming has become more important in Saline County, as the 2016 employment location quotient of 1.19 is considerably higher than 0.52 in 1970. In other words, Saline County has actually become more important in the nation's agricultural sector than it has been 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 1.87 in 2016, thus becoming much more important in the nation's manufacturing sector.

In short, with several LQs that are above 1.2, 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.

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[3] 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.

APPENDIX 2: DETAILED ANALYSIS OF THE SALINA FIELDHOUSE

Competitive Supply

There are five facilities within 125 miles of Salina 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 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.

Wichita

The closest and most comparable athletic complex is Wichita Hoops, which opened in two 50,000 square foot phases in 2014 and 2016.[4] 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.[5]

There are also two more comparable facilities in Wichita—the Wichita Sports Forum and the YMCA Farha Sports Centers. The Wichita Sports Forum was built in 2015 with funding through STAR Bonds.[6] 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 was scheduled to host eight volleyball tournaments and 30 basketball tournaments, with anywhere from 30 to 120 teams per tournament.[7]

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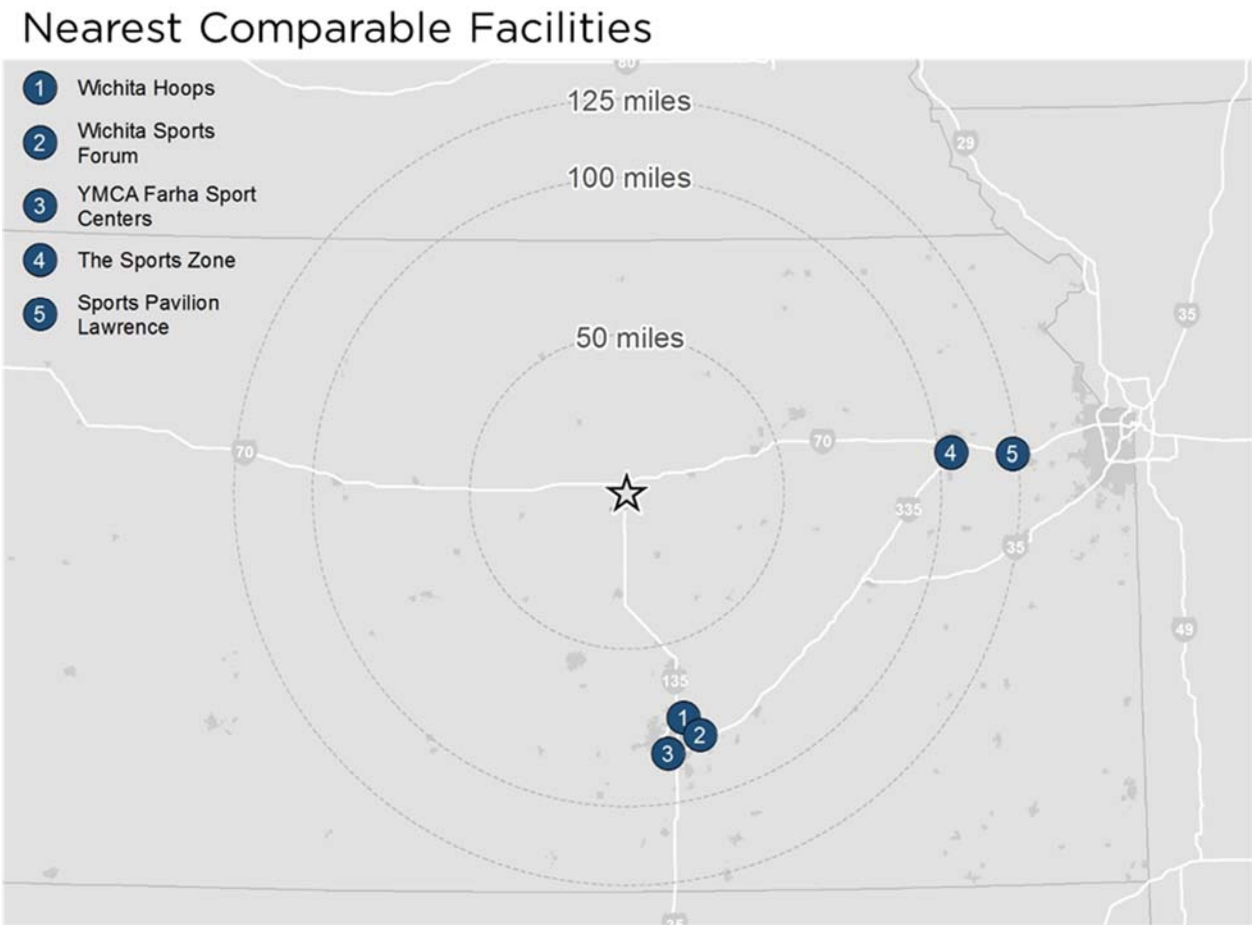
[4] Wichita Hoops. "About Us." Accessed October 20, 2016 from http://www.wichitahoops.com/about-us/.

[5] Phone conversation with Carlos Perez, General Manager, Wichita Hoops. November 1, 2016.

[6] 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_cmrce_1/documents/testimony/20160216_05.pdf.

[7] Email from Drew Johnson, League Tournament Director & Facility Manager, Wichita Sports Forum. November 1, 2016.

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.[8] 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.[9]

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.[10]

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[8] 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.

[9] Phone conversation with Josh Whitson, Director of Sports Initiatives, Farha Sports Center. October 28, 2016.

[10] Phone conversation with Theresa Knapp, Topeka SportZone, October 31, 2016.

Lawrence

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.[11] 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.[12]

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

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[11] 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/.

[12] Phone conversation with Chad Tower, Facilities Operations Supervisor, Sports Pavilion Lawrence. November 2, 2016.

Table A 1

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)
The Salina Fieldhouse ***Subject***	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.	16 in year one, growing to 26 in year five	33 in year one, growing to 46 in year five, with 8 to 12 players per team	84% in 1st year	67,000	--
Wichita Hoops ***Wichita, KS***	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, 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
Wichita Sports Forum ***Wichita, KS***	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
YMCA Farha Sports Centers ***Wichita & Andover, KS***	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	42 to 45 tournaments per year, a mix of YMCA and outside	Depends	Ranges from 0% non-local to 30%	128,500 (63,500 & 65,000)	83
Sport Zone ***Topeka, KS***	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
Lawrence Sports Pavilion at Rock Chalk Park ***Lawrence, KS***	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

At 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).[13] 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.[14]

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

[13] Phone conversation with Josh Whitson, Director of Sports Initiatives, Farha Sports Center. October 28, 2016.

[14] Phone conversation with Theresa Knapp, Topeka SportZone, October 31, 2016.

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.[15]

The SFA/SFM report estimated that 68 percent of teams participating in Fieldhouse tournaments would be non-local. That percentage was 84 percent from July 2017 through July 2018, although the management has already increased the number of external tournaments for the next season, which will increase the proportion of non-local teams.

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 14 players. This range is based on interviews with facility managers at the comparable facilities and first year performance at the Fieldhouse.

Table A 2

Projected Fieldhouse Tournament Trends and Non-Local Visitors: 2017-2023						
	Year One Actual (2017-2018)	Year Two Projection (2018-2019)	Year Three Projection (2019-2020)	Year Four Projection (2020-2021)	Year Five Projection (2021-2022)	Year Six Projection (2022-2023)
Number of Tournaments	16	18	21	23	24	26
Number of Teams per Tournament	30	31	33	34	35	37
Total Number of Teams at External Tournaments	**482**	**558**	**693**	**782**	**840**	**962**
Non-Local Teams (84%)	*405*	*469*	*582*	*657*	*706*	*808*
Non-Local Visitors per Team	39	39	39	39	39	39
Total Non-Local Visitors	15,800	18,300	22,700	25,600	27,500	31,500

Non-local teams travel with coaches, family members, and friends. SFA/SFM estimates that each team player will bring between 1½ and three visitors each.[16] This report conservatively assumes a low value of 1½ and a high value of 3 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.[17] This gives a lower limit of twelve additional spectators for a small team (eight participants) and an upper limit of 35 visitors for a large team (14 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

[15] Phone conversation with Evan Sanders, Sports Event Manager, Round Rock Sports Center. October 26, 2016.

[16] Sports Facility Advisory/Sports Facility Management (SFA/SFM). *Feasibility Summary Report: Salina Field House*. January 2016.

[17] Phone conversation with Chad Tower, Facilities Operations Supervisor, Sports Pavilion Lawrence. November 2, 2016.

spectators, ranged from 20 on the low end to 49 on the high end. Attendance was approximately 90 percent of projections in year one of operations.

Table A 3

Total Number of Visitors Projected to Participate in Tournaments at the Salina Fieldhouse, First Five Years (Players, Coaches, Family Members, Other Spectators)						
	Year One Actual* (2017-2018)	Year One Projection (2017-2018)	Year Two Projection (2018-2019)	Year Three Projection (2019-2020)	Year Four Projection (2020-2021)	Year Five Projection (2021-2022)
Non- Local Teams						
Low Estimate						
20 total visitors per *(8 team members and 12 spectators)*	8,100	9,060	11,424	13,138	14,362	16,266
High Estimate						
49 total visitors per team *(14 team members and 35 spectators)*	19,845	22,197	27,989	32,187	35,186	39,851
Local Teams						
Low Estimate						
20 total visitors per *(8 team members and 12 spectators)*	1,540	4,260	5,376	6,182	6,758	7,654
High Estimate						
49 total visitors per team *(14 team members and 35 spectators)*	3,773	10,437	13,171	15,147	16,558	18,753

**Estimated based on the number of teams and visitors per team; data provided by the city included total attendance, which would count one attendee multiple times for a multiple-day event.*

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 2.0 days per event because teams may not stay for the entirety of a tournament if they are eliminated. 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.

Table A 4

Annual "Visitor-Days" Projected to be Generated by Events at the Salina Fieldhouse, First Five Years						
	Year One Actual* (2017-2018)	Year One Projection (2017-2018)	Year Two Projection (2018-2019)	Year Three Projection (2019-2020)	Year Four Projection (2020-2021)	Year Five Projection (2021-2022)
Non- Local Teams						
Low Estimate 20 total visitors per team	31,400	18,120	22,848	26,275	28,723	32,531
High Estimate 40 total visitors per team		44,394	55,978	64,374	70,372	79,701
Local Teams						
Low Estimate 20 total visitors per team	6,000	8,520	10,752	12,365	13,517	15,309
High Estimate 40 total visitors per team		20,874	26,342	30,294	33,116	37,507

**Non-local visitor data was provided for this specific metric; however, local attendance is estimated.*

Actual year one tournament counts were slightly lower than initially projected by SFA/SFM in the *Feasibility Summary Report*; however, the Fieldhouse should be able to attract additional tournaments each year over the next five years, as evidenced by the fact that two additional tournaments are already on the books for the 2018-2019 season. Modified projections for years two through six are summarized in the following table.

Table A 5

Projected Fieldhouse Tournament Trends and Non-Local Visitors: 2017-2023						
	Year One Actual (2017-2018)	Year Two Projection (2018-2019)	Year Three Projection (2019-2020)	Year Four Projection (2020-2021)	Year Five Projection (2021-2022)	Year Six Projection (2022-2023)
Number of Tournaments	16	18	21	23	24	26
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Total Number of Teams at Exterma; Tournaments	**482**	**558**	**693**	**782**	**840**	**962**
Non-Local Teams (84%)	*405*	*469*	*582*	*657*	*706*	*808*
Non-Local Visitors per Team	39	39	39	39	39	39
Total Non-Local Visitors	15,800	18,300	22,700	25,600	27,500	31,500

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 (i.e., 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.

- Salina Fieldhouse will attract local residents through its general athletic programming with weekly classes, practices, open gym, and other year-round activities. The economic impact to the Downtown STAR Bond district generated by local attendees will be relatively low. Many may coordinate their visits to the Fieldhouse with dining at district restaurants and other activities, but local-generated spending is substantially lower than visitor-generated spending.
- During event weekends, the Fieldhouse will attract local teams to compete in tournaments. As noted above, Downtown hosted nearly 11,000 local event visitors in year one; however, these visitors had relatively few options downtown to shop or eat. 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 spillover spending at Downtown merchants.

Non-Local Visitors

According to data provided by the Salina Parks and Recreation Department, non-local attendance totaled nearly 15,700 in the first year of operations, or about 32 per tournament team—total attendance was 18,700. Many of these visitors attended multiple games over a two-day period, on average, so they generated approximately double the visitor days—15,700 attendees would generate 31,400 visitor days because they stay for two days. These visitors are expected to stay in local hotels during tournaments.[18]

Visit Salina, estimates that the average traveler visiting Salina for youth sports or cultural amenities spends approximately $93 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

[18] Some of these non-local visitors may able to "commute" on a daily basis to the tournaments, so it is estimated that 70 percent of non-local visitors will stay at local hotels. Statistics assume 9 players per basketball team, 10 per volleyball team, 20 per gymnastics squad, and 12 each per soccer and/or softball team. The attendance figures provided assume three spectators per participant.

average daily revenue at Salina hotels was $77.61 for the year ending in July 2018.[19] Adding transient and sales tax rates of 15.45 percent brings the total average cost of a hotel room to $89.60.

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 $89.60 hotel room split between three people accounts for about 32 percent of daily spending, or approximately $29.87 per person per night. This leaves $63.13 per person for meals, shopping, entertainment, and other incidentals per visitor day.[20]

Almost all of the $63.13 in non-lodging spending per non-local visitor per day will fall into categories that generate taxable sales, such as food and beverage (both in restaurants and at grocery stores), retail, and entertainment.

It is assumed that approximately 70 percent of non-local visitors will choose to stay overnight, as families located within 50 or 60 miles may choose to commute to Salina each day for the tournament.

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.

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[19] Smith Travel Research. *Hotel Occupancy Report*, August 2018.

[20] This is comparable to the federal government per diem allowance for Salina, which is $93 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 September 20, 2018 from http://www.gsa.gov/portal/category/100120.

Table A 6

Taxable Spending Generated by Non-Local Fieldhouse Visitors in Salina, 2017-2023	Year One Actual (2017-2018)	Year Two Projection (2018-2019)	Year Three Projection (2019-2020)	Year Four Projection (2020-2021)	YearFive Projection (2021-2022)	Year Six Projection (2022-2023)
Estimated Visitor-Days	31,400	36,600	45,400	51,200	55,000	63,000
Non-Local Visitors Staying Overnight (70%)	21,980	25,620	31,780	35,840	38,500	44,100
Hotel Room Nights Generated	7,327	8,540	10,593	11,947	12,833	14,700
Hotel Room Spending per Person (Average)	$29.87	$30.47	$31.08	$31.70	$32.33	$32.98
Meals, Retail, Entertainment & Other Spending per Person (Average)	$63.13	$64.39	$65.68	$66.99	$68.33	$69.70
Total Spending Generated at Hotels	$656,500	$780,600	$987,600	$1,136,100	$1,244,800	$1,454,400
Total Spending Generated at Restaurants, Retailers, and Entertainment Venues	$1,982,300	$2,356,800	$2,981,900	$3,430,100	$3,758,400	$4,391,100
Total Additional Visitor Spending Impact (all of Salina)	$2,638,800	$3,137,400	$3,969,500	$4,566,200	$5,003,200	$5,845,500

The influx of between 15,700 (year one) and 31,500 (year six) visitors, staying for an average of two nights each, will generate demand for between 7,300 (year one) and 14,700 (year six) hotel room-nights throughout Salina, with a percentage of those guests captured at the new Downtown Homewood Suites by Hilton.

The increases in non-local visitor activity triggered by the Fieldhouse alone are also expected to increase revenue at downtown restaurants, retailers, and entertainment venues.

Non-local visitors to the Salina Fieldhouse will be more likely to patronize establishments 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 20 percent of total visitor spending. Capture rates can increase over time through cooperative measures taken by District anchors such as, common marketing efforts to attract a large number of Fieldhouse visitors to the Downtown hotel or to nearby restaurants.

Table A 7

Potential STAR Bond-Eligible Tax Revenues Generated in Downtown Salina by Fieldhouse Visitors at 20Percent of Spending in the City of Salina, 2017-2023						
	Year One Actual (2017-2018)	Year Two Projection (2018-2019)	Year Three Projection (2019-2020)	Year Four Projection (2020-2021)	YearFive Projection (2021-2022)	Year Six Projection (2022-2023)
Total Spending Generated at Restaurants, Retailers, and Entertainment Venues	$2,638,800	$3,137,400	$3,969,500	$4,566,200	$5,003,200	$5,845,500
Downtown Capture	20%					
Total Additional Visitor Spending Impact (all of Salina)	$527,760	$627,480	$793,900	$913,240	$1,000,640	$1,169,100

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 $527,000 (year one) and $1,169,000 (year six) in taxable sales, assuming two percent annual inflation. 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.

Potential revenues generated by the Fieldhouse and its visitors are not included in the revenue model because the majority of that spending will be captured by the other project components, existing retailers, and other locations throughout Salina. Thus, the projections for the other components inherently include visitor spending.

APPENDIX 3: HOUSING IN DOWNTOWN SALINA

The STAR Bond district encompasses a small area of residential development on its eastern edge. Esri[21] 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).

Table A 8

Household Overview

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

[21] Esri is an independent vendor of socio-economic data to which Development Strategies subscribes for information in small and non-standard geographic areas such as Downtown Salina.

value of existing historic housing, there may be opportunities for Downtown historic preservation efforts.

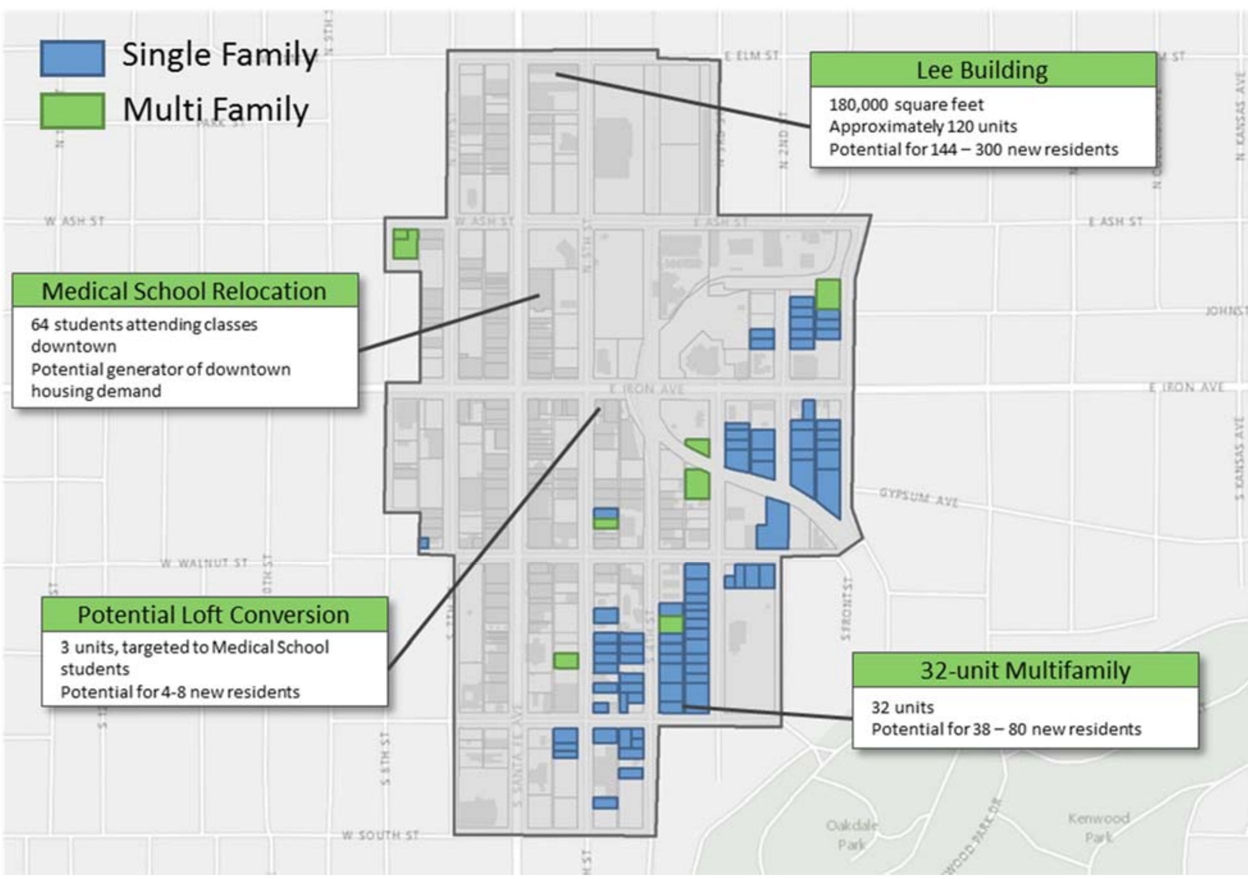
Table A 9

Year Built

Description	Star Bond Area	Salina
Median Year Built (2010-2014)	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.[22] 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.[23] 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.[24] 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.[25]

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[22] Phone conversation with Mike Forrestal, building owner, November 1, 2016.

[23] Phone conversation with Don Boos, Director of Development, Blue Beacon International, Inc. October 28, 2016.

[24] Phone conversation with Tom Martin, Executive Director, Salina Regional Health Center Foundation. October 25, 2016.

[25] Phone conversation with Jim Trower, Woods and Durham. November 8, 2016.

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. 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.

Table A 10

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.[26] 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.

The addition of new residents is not included in the revenue 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.

[26] Bureau of Labor Statistics. Consumer Expenditure Survey, 2015. Accessed November 1, 2016, from http://www.bls.gov/cex/2015/combined/income.pdf

APPENDIX 4: ECONOMIC IMPACTS

An economic impact model was created using *Regional Input-Output Modeling System (RIMS II),* obtained from the Regional Product Division, U.S. Department of Commerce, Bureau of Economic Analysis. The purpose of developing this model is to quantify the impact of the STAR Bond projects to the local market area and the state in terms of economic output, jobs, and earnings.

The STAR Bond project will generate short-term benefits during the construction phase and ongoing/annual benefits during operations. All jobs numbers expressed in the following analysis are full-time equivalent (FTE).[27]

Table A 11

Summariy of Economic Impact Multipliers			
Sector	Final-demand Output /1/ (dollars)	Final-demand Earnings /2/ (dollars)	Final-demand Employment /3/ (number of jobs)
Saline County Multipliers			
Construction	1.4965	0.4345	9.7026
Performing arts, spectator sports, museums, and related activities	1.4421	0.4241	19.9218
Amusement and recreation	1.3984	0.3721	15.8742
Accommodation	1.3897	0.3726	13.9082
Food service and drinking places	1.4353	0.422	18.287
Food and Beverage Stores	1.4188	0.4372	16.5882
Households	0.6324	0.1946	5.8045
State of Kansas Multipliers			
Construction	2.007	0.5944	13.4943
Performing arts, spectator sports, museums, and related activities	1.8205	0.5372	23.2266
Amusement and recreation	1.7859	0.4297	17.0778
Accommodation	1.748	0.4689	16.476
Food service and drinking places	1.9277	0.5483	22.7085
Food and Beverage Stores	1.8333	0.5699	20.986
Households	1.0743	0.3001	8.7911

Source: U.S. Department of Commerce, Regional Product Division, Bureau of Economic Analysis, RIMS II Multipliers

[1] *Represents the total dollar change in output that occurs in all industries for each additional dollar of output delivered.*

[2] *Represents the total dollar change in earnings of households employed by all industries for each additional dollar of output delivered.*

[3] *Represents the total change in the number of jobs that occurs in all industries for each additional $1 million of output delivered.*

Construction Phase

Estimated construction expenditures of $72 million are assumed and represent the costs for:

- Salina Fieldhouse
- Save-A-Lot
- Stiefel Theater
- Old Chicago
- Barolo Grille

[27] The RIMS II multipliers generate a total jobs count (full-time and part-time), which was converted to FTE using an equivalency ratio of 0.951, which is the ratio for all sectors according to IMPLAN.

- The Alley,
- Homewood Suites, Ya Ya's, and Starbucks
- America Crossroads Car Museum
- Streetscape Improvements

Key assumptions are summarized below:

- Total construction expenditures were segregated assuming that 40 percent of the total construction budget would go to payroll.[28] This delineation is important because the economic impact of direct construction/capital expenditures is different that household spending supported by payroll/salaries. Therefore, the multipliers for the construction sector are applied to the construction expenditures and the household multipliers are applied to the payroll estimate.
- The average wage for construction jobs in Saline County was $49,900 in 2016. A premium of 10 percent was added to account for overhead and benefits, bringing the average payroll per job to $54,880.
- The payroll estimate is divided by the above per job salary to estimate direct FTE employment during the construction period.

The following table summarizes the economic impacts to Saline County during the construction phase of the entire project.

Table A 12

Summary of Temporary Economic Impacts: Construction Phase (Saline County)		
	Total	Payroll
Direct Expenditures	$ 71,900,000	$28,760,000
Direct Jobs (FTE)	445	
Multiplier Impacts		
Output	$ 107,598,350	
Earnings	$ 31,240,550	
Jobs (FTE)	593	

The direct construction expenditures of $72 million support 445 construction and related jobs, and approximately $28.8 million in earnings. This spending generates an additional $107.6 million in economic output, nearly $31.2 million in earnings and 593 FTE jobs in Saline County through multiplier effects.

[28] Based on data from U.S. Census Bureau, Economic Census

The following table summarizes potential impacts to the state from construction spending.

Table A 13

Summary of Temporary Economic Impacts: Construction Phase (State of Kansas)		
	Total	Payroll
Direct Expenditures	$ 71,900,000	$ 28,760,000
Direct Jobs (FTE)	445	
Multiplier Impacts		
Output	$ 144,303,300	
Earnings	$ 42,737,360	
Jobs (FTE)	825	

Operational Phase

The construction expenditures generate significant, yet temporary, economic impacts. Therefore, it is important to quantify the ongoing impacts of the project components assuming they are operational.

This is accomplished by estimating the average annual operations of the different components based on the stabilized sales projections included in the *STAR Bond Revenue Study* and deducting profit. For instance, the annual sales projection for The Alley was $3.8 million. Deducting profit of 15 percent would result in annual operational spending of $3.23 million.

The tables to the right summarize the ongoing annual economic impacts of the project components.

The estimated annual operations for all components of $18.2 million support 335 full time jobs. In Saline County, that activity generates an additional $25.8 million in output, $7.4 million in earnings, and supports 263 additional jobs.

In the state, that activity generates an additional $33.5 million in output, $9.3 million in earnings, and supports 314 additional jobs.

Table A 14

Summary of Ongoing Economic Impacts: Annual Operations (Saline County)	
	Total
Direct Expenditures	$ 18,180,000
Direct Jobs (FTE)	335
Multiplier Impacts	
Output	$ 25,800,982
Earnings	$ 7,371,968
Jobs (FTE)	263

Summary of Ongoing Economic Impacts: Annual Operations (Kansas)	
	Total
Direct Expenditures	$ 18,180,000
Direct Jobs (FTE)	335
Multiplier Impacts	
Output	$ 33,474,370
Earnings	$ 9,334,783
Jobs (FTE)	314

APPENDIX 5: IMPACT ON OTHER STAR BOND PROJECTS

As required by the STAR Bond Financing Act, this study includes an evaluation as to the effect, if any, the City of Atchison Project would have on any outstanding STAR Bonds payable from revenues authorized pursuant to the STAR Bond Financing Act. The STAR Bond Financing Act contemplates an analysis focused on the ongoing viability of any such outstanding special obligation bonds based on the terms and conditions of their issuance, not whether this Project or any other STAR Bond project would simply impact the overall sales tax generation used to support the issuance. In other words, the question posed is whether a proposed project would reasonably be anticipated to jeopardize the bargained-for investment made by current bondholders.

The Secretary has approved STAR bond financing for six projects in central Kansas: the West Riverbank project in Wichita, Field Station Dinosaur Park in Derby, K-96 Greenwich in Wichita, Salt Mine Museum in Hutchinson, Flint Hills Discovery Center in Manhattan, and the Goddard STAR Bond project.

The Downtown Salina STAR Bond Project should not have any measurable effect on current outstanding STAR Bonds authorized by the STAR Bond Financing Act.

APPENDIX 6: SUPPLEMENTAL INFORMATION ON CAR MUSEUM

Local and Non-Local Spending

Data from the Kearney, Nebraska, Classic Car Museum, the 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.[29] 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.

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*,[30] 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).[31]

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.

Table A 15

Potential Annual Taxable Sales Generated by Car Collection Visitors While Visiting Salina (2018 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
Total	**9,845**	**$34.73**	**$342,000**

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[29] Phone conversation with manager, Kearney Classic Car Museum. October 25, 2016.

[30] 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

[31] 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

Table A 16

Museum	Description	Square Feet	Yearly Visitors	Entrance Fee & Operating Hours
Subject – America's Crossroads Car Collection *Salina, KS* *(pop. 48,000)*	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 *Kearney, NE* *(pop. 32,000)*	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 *Knoxville, IA* *(pop. 7,300)*	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
Wheels O Time Museum *Peoria, IL* *(pop. 116,500)*	The museum displays about 40 antique cars, as well as trains, tractors, and a firetruck, 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 *Coralville, IA* *(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 *Morrilton, AR* *(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 *Canton, OH* *(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 *Norwich, NY* *(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