

BUSINESS JOURNAL[Select Another Market](#)[Kansas City Business Journal](#)**Prairiefire at Lionsgate will await 2012 spark****Kansas City Business Journal - July 23, 2009**

The recession has delayed the start of construction on Prairiefire at Lionsgate until spring 2012, developer Fred Merrill said.

But Merrill, president of Merrill Cos. LLC, said the new timing for the \$573 million project may prove impeccable.

The 60-acre mixed-use project, along 135th Street between Nall and Lamar avenues, won rezoning from the Overland Park City Council in 2006, at which time building construction was projected to begin in 2008. Merrill is glad it didn't.

"If vertical construction was going on now, I'd be very concerned," he said.

As it stands, Prairiefire should be able to take advantage of depressed construction prices while becoming "one of the first projects hitting the new (economic) cycle," Merrill said.

In addition, the delay has allowed Merrill to secure a cultural and financial spark plug. After sensing the coming credit collapse last year, Merrill slowed work on infrastructure and pursued an agreement to build the nation's first museum for hosting traveling exhibitions of New York's American Museum of Natural History. It is expected to attract first-year attendance of 400,000 and \$84 million in sales tax revenue — or STAR — bond financing from the state.

The city council will conduct an Aug. 17 public hearing on Merrill's STAR bond request, which calls for an additional \$12 million if the project achieves enough destination-retail leasing.

Applications for STAR bonds, which are repaid with sales tax revenue generated by tourism-related projects, must come through a local jurisdiction and are approved by the commerce secretary. Merrill said he is optimistic those hurdles would be cleared by September.

The project already has authority to raise \$15 million through a city-approved sales tax surcharge. Assuming the full \$96 million STAR bond authorization is granted, that would leave \$462 million to be financed through debt and equity.

By 2011, Merrill said, he expects recovery of the retail market to begin, allowing Prairiefire to achieve the 50 percent preleasing level his construction lender probably will require. No tenants have been announced yet, though he said a theater operator and two restaurants are close to signing leases.

In addition, Merrill said, the 300 apartments planned for the project are expected to attract strong demand and a joint-venture partner.

"We haven't seen a mixed-use project like that in Kansas, where you've got multifamily, single-family villas, a hotel, office and retail all in one place," said Tim Schaffer, executive vice president of RED

Brokerage LLC. “To have all those disciplines allows you to start the project and phase it based on the market.”

Schaffer, who is not connected with the project, said another benefit is Merrill’s 29 years of experience in markets such as Washington, Dallas and Scottsdale, Ariz., where he developed a 1 million-square-foot mixed-use project in 1996.

A former sprinter at Kansas State University, Merrill brought his development company to Kansas in 1998. To date, he has knocked out about 5 million square feet of projects and, Schaffer said, “developed an incredible reputation.”

Retired Overland Park banker Bruce Dunning recently suggested that Merrill had sought the museum as a means to revive his project with incentives.

Merrill said that the museum opportunity resulted from a conversation between two designers — one with his firm, another with the museum — and that he had pursued it to improve the project. He didn’t have any designs on STAR bonds until his lawyers prodded him to examine them as a means of financing the museum and related improvements, he said.

“I don’t see (the museum) as a contrived attraction to qualify for STAR bonds,” said Jim Hix, a member of the city council that voted unanimously to advance the bonds to the public-hearing stage. “I think it’s a legitimate attraction for the Midwest, and it could never have been done in a stand-alone location.”

STAR Gazing

Plans for the \$573 million Prairiefire at Lionsgate call for its 30,000-square-foot natural history museum to be surrounded by about 350,000 square feet of retail space, 300,000 square feet of offices, 750,000 square feet of residential space and a 100,000-square-foot hotel.

Developer Fred Merrill’s plan to begin construction by spring 2012 may sound ambitious given current conditions. But Tom Valenti doesn’t think Merrill’s optimism is misplaced.

Valenti is a principal with Cameron Group LLC of Syracuse, N.Y., which is developing the stalled Gateway project in Mission. That \$307 million mixed-use project, to be anchored by the 2 million-gallon Kansas Aquarium, received authority to issue \$63.1 million in STAR bonds last year. It has leases signed for about 66 percent of its planned 500,000 square feet of retail space, Valenti said, and should hit the 75 percent mark required by its construction lenders soon.

He said that “if we’re lucky enough,” the group could break ground in the first quarter of 2010.

The \$750 million Schlitterbahn Vacation Village in Kansas City, Kan., was granted \$225 million in STAR bond authority in 2005 and opened the first phase of its water park on July 15. Its retail and lodging components have been delayed to 2011.

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