

**MINUTES OF THE SPECIAL MEETING OF THE BOARD OF ALDERMEN
CITY OF BRANSON, MISSOURI, OCTOBER 14, 2003**

The Board of Aldermen of the City of Branson, Missouri, met in special session in the Council Chambers of the City Hall on October 14, 2003 at 7:00 p.m. with the following members present:

Mayor Pro Tem Huff presiding, with Dick Gass, Stan Barker, Beverly Martin, David Edie and Jack Purvis present. Absent was Mayor Lou Schaefer.

Also in attendance were: City Administrator Terry Dody, City Attorney Dan Wichmer, City Clerk Sandra Williams, and Assistant Administrator Kevin Faught.

At this time, Mayor Pro Tem Huff stated, this meeting was called to receive a preliminary report from Economics Research Associates regarding the Branson Landing Project. The City hired ERA to conduct an independent analysis to examine the feasibility of the overall multi-use waterfront project and convention center.

The scope of services for ERA was assigned in phases. Phase One, which has been completed, was to work with CS&L on the convention center feasibility study. ERA shadowed CS&L and reported to the City that they agreed with CS&L's data, analysis, and methodology and agreed with CS&L's conclusion regarding the convention center.

Phase Two was to lead to their overall conclusions, but would involve a minimum of report documentation, with their findings summarized in a brief executive summary with preliminary financial projections. The Phase Two assignment is what Mr. Austin Anderson from ERA presented.

Phase Three will involve incorporating any refinements to the financing plan as appropriate, verification of certain research findings, and preparation of a fully documented report that can be referenced or included in the bond offering materials.

Mayor Pro Tem Huff then turned floor over to Mr. Anderson for his preliminary report.

Austin Anderson of Economic Research Associates (ERA) first gave a short explanation about ERA explaining what they do, and how they handle projects of this type. He then indicated this study would be conducted in a total of three phases. Working on the convention center portion and coordinating with CS& L was started in December 2002. ERA is doing an independent analysis, drawing their own very independent conclusions, but ERA has done enough work to know they will be consistent with CS& L's. The second phase is to come up with basic conclusions regarding the economic performance of the overall project, as it is presently defined. The project is undergoing refinements as it gets into the final stages, and as the project changes, as tenants shift in sizes and components fluctuate at little bit, the projects will change accordingly, and are hoping to finish up the complete report over the next few months. This analysis is for the purpose of the public bond issue. ERA's work is not a financial feasibility study from the standpoint of the developer. It is not to be used for that. It is a different kind of an analysis. ERA is looking at what will be the tax revenue generated by this project that can be captured by the TIF, and secondarily what the impact be on the rest of the community.

Mr. Anderson then explained the regional population stating that there is about 1.8 million people, as of the end of this year within one hundred miles of here, and about 75,000 people that are within 20 miles. The people living within one hundred miles from Branson generate some thing like nine billion dollars of retail sales. Therefore the actual requirement for a project of this size is a tiny percentage of the total potential market to succeed, which is important to keep in mind, because the more local market will be a part of how ERA sees this project working. The tourism market is what it is targeted at. There are some uncertainties regarding the exact number of tourists that come to Branson each year. It is clear that number has been relatively stable for about the last four years. The one thing that jumps out about the Branson market is that it really does lack a major activity center, a focal point of activity. In my view it is a significant lack.

In considering the economic performance of this project, it is very important to realize this project must attract new visitors to succeed. Even if the existing tourists spending were increased significantly, and a large percentage captured, you will still have to get additional higher income visitors in larger numbers than exist today. ERA believes that is possible, but it also shows that the project cannot succeed without them. To that extent, the City and the developer of the project will have the same objective of bring substantial numbers of new visitors that wouldn't otherwise be here. To have this drawing power a standard mall will not work. It has to have a very appealing overall ambience environment. It has to have the very attractive

latest cutting edge tenants, both restaurants and retail that will draw the right kind of market. There is rather a narrow window as the market isn't going to support high-line luxury goods, but on the other hand it can't compete with a very utilitarian retail that you find in Springfield. It has got to be a very attractive mix of tenants. The development of the waterfront is very crucial. The plans look good to carry out and create enough area and activities that people really want to amble around in the gathering place. The key to that is the fountain show. It is important that that is followed through and it becomes something spectacular that people will go down and watch the fountain show like they do in Las Vegas. The fountain show and other things working with the river are necessary to be fully developed for the center to succeed from a market standpoint. Finally it is important to keep in mind that the project will be spending its own marketing budget, which will be substantial and will market the project, and Branson as well. That is important to increase visitation.

Taking all of this into consideration, ERA projected the commercial complex is going to build up this new visitation. ERA anticipates of the existing 6.5 million plus visitors that the complex will attract in the first year about 300,000 "new" visitors above the projections made otherwise. They project fairly moderate growth in Branson tourism over the coming two or three years. Probably 2% a year as the economy is clearly going through some kind of recovery, which will drive tourism and population growth. ERA sees the project, if it is properly executed, building up its reputation in the first year. Then over a period of four years achieving full yield of about 700,000 "new" visitors. These new visitors will have higher expenditure rates, and somewhat higher incomes than the average of existing Branson tourists. In addition the Convention Center is going to attract about 100,000 in the first year of additional new people who will stay around for several days. These new visitors will generate over 300,000 actual daily visits, and there will be another couple hundred thousand people visiting activities at the Convention Center from the local market that will be within the 50-mile radius. There are around 850,000 new visitors that will be attracted per year from the fourth year on. These additional new visitors will generate a demand for hotel rooms far in excess of what is planned on the site. Probably just from the Convention Center something in the order of 1,500 rooms will be needed, and the on-site project will have less than 500 rooms.

Mr. Anderson then presented a basic market projection using 2003 current dollars, with a 2% monetary inflation, showing total projected sales of \$171-million dollars. For comparison, the estimates for Branson the taxable receipts within the City are \$682-million dollars. This estimate is what tourist would spend money on; it does not include cars and groceries.

The Convention Center is estimated to have 170 annual events and 504,000 annual attendees, which includes 145,000 “new” out-of-town visitors. From the 504,000 people attending conventions ERA projects \$4.5-million dollars in revenues, most of which is food, beverage, and catering. It will run a \$600,000 operating deficit annually and to achieve this level of utilization \$800,000 must be spent for marketing. It is important to recognize that this is new money that must be spent to achieve level of activity. The operating deficit is manageable, because you are spending money to generate revenue, and if the revenues are disappointing you can cut expenses and manage the operating deficit.

ERA projects that in the first year of operation about \$9.5-million dollars of basically incremental tax revenue (sales tax, tourism tax, and property taxes) are needed to support a bond issue. Increasing to \$10.3-million dollars the second year, and up to \$11.5-million dollars the fourth year. This is the principal output of the study to have a bond company look at and be able to craft a finance program. The last point is that the entertainment retail project is inherently uncertain. ERA believes their forecasts are as best as they can make them, down the middle. In a way, ERA is working for the would-be bondholders. There are certainly a substantial up side that the developer is hoping for. There are also down sides if the project doesn't work out for everybody. It is discretionary spending. Most of the things people will be buying here they don't have to have, which means a basic level of unpredictability is involved. The risk in the City's standpoint must be managed properly first through some kind of pre-leasing assurances and insuring that the project is completed at a quality level as intended.

In terms of the impact on the City of Branson ERA believes that overall the number of people drawn by the project and the convention center, in our view, is clearly a strong positive impact on existing regional hotels. The demand for hotel space and hotel dollars by the people ERA sees being drawn here is substantially greater than on-site demand. The same thing goes for the regional entertainment and shows. If we bring in 800,000 to 900,000 new people based on existing trends they should see well over 1.6 shows. In terms of other retail there is going to be competitive impact for the first three years. The project is going to have a net competitive impact on other tourist driven retail, which will be negative for the first three years, and then be net positive after three to four years. ERA has really focused on the operations impact, also looked at the employment impact. There will be a couple thousand full-time equivalent people working with over 2,500 employed in all that will generate significant retail sales and other business activity, which was included in the retail impact study. We have not looked at the

construction impact with over \$250-million dollars of construction and activities, which will have a significant economic impact during the construction period.

At this time Mayor Pro Tem Huff opened the floor for discussion and comments from the members of the Board.

Members of the Board of Aldermen discussed with Mr. Anderson his viewpoint on the overall project as a whole; the negative impact on existing retail, and whether this was typical when new retail is built; the amount of new visitors anticipated over the first four-year period; and the break down of the 170 events anticipated to be held in the Convention Center.

Citizens from the audience with comments or questions were Pat Cox, Webb Everest, Ed Coleman, Ross Summers, Rick Huffman, Gayla Roten, Pete Engler, and Chuck Pennell.

After additional discussion, Mayor Pro Tem Huff then entertained a motion accepting this report by Austin Anderson of Economics Research Associates. Alderman Edie made the motion, seconded by Alderwoman Martin made the second. Voting aye: Gass, Barker, Martin, Huff, Edie, and Purvis. Nays: none. Motion carried.

EXECUTIVE SESSION:

Mayor Pro Tem Huff entertained a motion to convene into Executive Session. Alderwoman Martin moved to go into closed Executive Session pertaining to negotiated contracts pursuant to 610.021.2 RSMo for contracts. The motion was seconded by Alderman Purvis. Voting aye: Gass, Barker, Martin, Huff, Edie, and Purvis. Nays: none. Motion carried.

ADJOURN:

Mayor Pro Tem Huff entertained a motion to adjourn. Alderman Barker moved to adjourn, seconded by Alderman Purvis. Voting aye: Gass, Barker, Martin, Huff, Edie, and Purvis. Nays: none. Motion carried.

Meeting was adjourned at 9:00 p.m.