

**MINUTES OF THE SPECIAL MEETING OF THE BOARD OF ALDERMEN  
CITY OF BRANSON, MISSOURI, MARCH 15, 2004**

The Board of Aldermen of the City of Branson, Missouri, met in special session in the Council Chambers of the City Hall on March 15, 2004 at 7:00 p.m. with the following members present:

Mayor Schaefer, with Dick Gass, Stan Barker, Beverly Martin, Ron Huff, David Edie, and Jack Purvis.

Also in attendance from the City were: City Administrator Terry Dody, Assistant Administrator Kevin Faught, City Attorney Dan Wichmer, City Clerk Sandra Williams, Finance Director Deanna Schlegel, Communications Director Jerry Adams and Kevin Powell.

Mayor Schaefer called the meeting to order with the “Pledge of Allegiance” and Sandra Williams gave the invocation

Mayor Schaefer stated, “This meeting was called to consider a resolution regarding funding to purchase the Convention Center property associated with the Waterfront Development.”

Terry Dody provided the opening comments stating that it has always been the intent of the Council to develop the waterfront property since it was purchased a couple of years ago. The only uncertainty that the Council had was whether or not to move forward on the Convention Center proponent on that property. Consequently, an enormous amount of due diligence has been done by the City Council over the last six months to a year, and that has resulted in the Council’s decision to ask me to put a resolution on tonight for consideration for moving forward on the purchase of that convention center property. **DODY**

There are three speakers to do a presentation regarding the leasing and the finance. The first person is David Livingstone, the Citigroup, the second speaker is David Queen, and the final speaker is Paul Maddux from Urban Retail Properties. Mr. Dody indicated the first step should be to entertain a motion placing the resolution up for discussion.

Mayor Schaefer entertained a motion approving the resolution. Alderman Gass made the motion, seconded by Alderman Huff. Mayor Schaefer then opened the floor for the presentations.

David Livingstone said that there are two things that Terry has asked me to speak about tonight. One is the likelihood of a successful HCW financing, and the second thing is can the TIF Revenues from the **DAVID  
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**Branson Landing Development, support the debt for the public infrastructure; the convention center, the land purchase, and the road improvements.**

**There are four components to the Private Development. Retail, restaurants, shops, everybody knows about the Bass Pro Lease that was recently signed. There is also a Convention Center Hotel, a Boutique Hotel, and some Condo's. When looking at all of the estimated TIF revenues on the project, 89% of them are for retail. Mr. Livingstone indicated Citigroup has talked with Urban Retail; reviewed the signed 'Letters of Intent' for retail facilities; talked with ERA; looked at the hotel proposal; reviewed HCW's financing proposal; and also reviewed the financials of all of the individual HCW members to determine if they have funds to cover their equity portion of the project. HCW has hired a Collateral Mortgage Broker to help arrange the financing. There is some interest from a number of large commercial lenders, principals to provide the loan, but at this point HCW does not have any soft or firm lending commitment. Therefore we have used our own analysis on whether they will ultimately get financing, said Mr. Livingstone. The four basic parameters that lenders look for are: (1) Is more than 50% of the project pre-leased; (2) Does the revenues exceed by more than 125% of the loan coverage; (3) Is your loan to value less than 70%; and (4) Is there a cash equity up to 20%.**

**Mr. Livingstone then reviewed the status of the retail leasing at this time, stating HCW has one signed lease, Bass Pro; 37 non-binding 'Letters of Intent' for about 150,000 square feet. In the final stages of negotiating are another 8 tenants 'Letters of Intent' for 73,000 square feet; and they have some positive feed back from another group of tenants for 170,000 square feet. If they all signed up then virtually HCW would have it fully leased. Probably they will get about 50% to 60% leased at this point. In terms of leasing they are well on their way, and Urban Retail indicates there will not be a problem to come up with 50% of the project leased. He said they have also reviewed HCW projects of revenues, lease rates, the Bass Pro lease, and the 'Letters of Intent'. We have made our assumption on what their interest rate will be and the revenues for debt coverage is far more than our target of 125%.**

**The last item is cash equity and there are two elements to that, indicated Mr. Livingstone. One is a willingness of the owners to put the equity in, and the second is do the owners have the where withal to put the equity in. We believe the answer to both of those questions is "yes", stated Mr. Livingstone.**

**Next discussed was the financing of the City's components, and whether the revenue from this project (sales tax, tourism tax, lease payments, etc) to cover the debt service that the City is going to have to issue to finance their portion of the project. There are three basic phases to the financing; (1) the first phase was to purchase the land on the waterfront; (2) the second phase is to finance the property for the convention center and hotel; and (3) the final phase, is the actual financing of the convention center construction and the infrastructure (town square, road improvements, and utilities improvements). Mr. Livingstone stated that before the City should proceed with Phase III, HCW must have their financing on the table at the same time, so that the City is not proposing spending funds on the convention center and the public infrastructure prior to HCW having their financing signed, sealed and delivered. The capital cost for Phase II which is for \$35-million dollars, and then the next phase is the**

actual construction costs of the convention center and some improvements of \$50-million dollars. The phase where we finance for the convention center land will be financed with public City appropriations pledge which is basically the City's promise to pay the bonds back out of their revenues. There will also be a Subordinate Lien on the TIF revenues that will come after the lien for the ultimate construction of financing, and then there is a Debt Service Reserve Fund that is a security for the transactions that will be done in the next few months. The security for the actual construction of the convention center and the infrastructure will be a senior pledge on the TIF revenues, which means those bond holders will have the first claim on the Incremental Tax Revenues, and they will also have a debt service reserve for those bonds. One of the things the City needs to decide is whether they want to include their appropriation pledge on this bond issue, as well, said Mr. Livingstone.

In terms of TIF revenues, we look at them as being fixed and unfixed. The fixed revenues are not going to have a significant change to them (ground lease payments, and the payments in lieu of taxes). The other source of revenues are tied to the sales in the Branson Landing Development and those are the State, County, and City TIF sales tax revenues, and the tourism tax on food and beverage, hotels, and amusements that are generated just by the Branson Landing Development. Those will rise and fall with the sales from the facility and they tend to be a little bit more risky than the fixed revenues.

Mr. Livingstone then presented an overhead of the projected fixed revenues and those tied to sales, beginning with the first year of operation through the 23<sup>rd</sup> year which start at about \$8-million dollars and grow to around \$10-million dollars. He then discussed the appropriation debt for the land, predevelopment and development costs, and whether they are less than the revenues, and indicated there is a little over \$2-million dollars of cushion in the early years.

Finally Mr. Livingstone discussed the impact on the City's budget if the project does not do as well in revenues as hoped. He presented figures showing the results if the revenues were 10% less, 20% less, 30% less, 40% less, and finally 50% less than projected. The figures indicate that even if revenues are down 50% the City would not have to raise taxes to come up with additional revenue sources to make up the difference.

Mr. Livingstone stated, the developer does have the where withal to come up with their equity obligation that they would need to finance the project.

Mr. Livingstone concluded his presentation by answering questions from the Board members and the audience.

The next speaker was David Queen of Gilmore and Bell and Bond Counsel for the City.

Mr. Queen indicated his presentation would answer the question of whether or not there will be sufficient revenues generated from the retail side to cover the debt associated with this project. He then explained Tax Increment Financing, indicating it essentially diverts new tax revenues and state law limits the time to a

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23 year period of time. It is very important that we are not taking taxes from the balance of the City, said Mr. Queen, we are trying to generate taxes on this site sufficient to pay for the debts for the convention center and the public improvements. He explained that the basic TIF revenues consist of EATS (economic activity taxes) which consist of 50% of the City's local sales tax, 50% of the City's transportation sales tax, 50% of tourism tax, and 50% of the county's sales tax. PILOTS (real property tax above base level) which is a 100% increase in real property taxes are captured and it goes to pay for the TIF Bonds or TIF project costs. He said they have added to this revenue strain in order to strengthen it, to meet the requirements the state puts on us. The City's other 50% of EATS; the other 50% of transportation sales tax; the other 50% of tourism tax; and the State TIF of \$54-million, 600-hundred thousand dollars, along with the TDD (Transportation Development District) revenues which is a Missouri Statute that allows the City to create a Transportation District and access a new 1% sales tax on taxable sales within the district. In addition to the area paying all of the regular taxes, the developer and the City will cooperate and form a TDD and impose a new 1% sales tax that will be used to pay the subordinate lien TIF Bonds. Put all of the revenues together you get 1% local sales tax, 1/2% transportation sales tax, tourism tax of 4% and 1/2%, County's sales tax at 1/2%, a new 1% TDD tax, 50% of state sales tax, and the ground lease revenues. An overhead was shown indicating the projected revenues for the 23 year length of the TIF Bonds showing these TIF Bonds are secured by the listed stream of revenues, and that a regular TIF does not have the state funds and does not have the City's other half of tax revenue to back them.

Mr. Queen then went on to say the "Annual Appropriation" means a pledge of the City's general fund and no City vote is required but commitment is annual (year to year) and it can be used to increase security for bonds and lower the interest rates. It can be used to cover all or a part of a TIF Bond. Mr. Queen explained an appropriation issue of \$100-million dollars would provide \$11,380,000 of additional proceeds to be used for the project at the same debt service. He also explained that the annual debt service on a \$100-million dollars TIF would be \$10,140,000 annually, and on an appropriation borrowing it would be \$9,113,000, for a lower debt service per year of \$1,027,000 or an aggregate of \$21,567,000 over 20 years.

He then explained a Transportation Development District (TDD) which will back the Subordinate Lien TIF bond issue up to \$33-million dollars which is the funds the City is committing to the developer to pay for these retail incentives, the Subordinate Lien retail incentive TIF bonds. It is currently by the redevelopment contract that the developer has the right to ask the City to issue the bonds. Mr. Queen further discussed that the City is issuing the bonds, but the developer has to provide a bank to buy them or use their own equity to buy these bonds. It sits behind our debt, both on the TDD) side and Subordinate Lien TIF revenue side. We can tell by the amount of debt the developer is willing to buy on the TDD Subordinate TIF revenue side what he thinks the revenues and the sales tax revenues are going to be. There is only so much sales that you can generate there and the developer is putting his own money up in what he believes the projected sales will be. This project is totally 100% self-funding from the new tax dollars generated by the project, and there are no tax dollars being used for the incentive, those are actually private dollars from a self-imposed tax.

Mr. Queen then presented slides of some scenarios on what happens if we don't get what ERA

is projecting in revenues. He also presented slides that showed the operating losses associated with running the convention center, which indicated that the City has sufficient funds to withstand an operating loss hit to the General Fund without materially interfering with the Capital Expenditure Programs they currently have.

The last slide shown by Mr. Queen showed that the City has a group of people advising it, David Livingstone has a team working with him, they have a separate financial advisor whose job is to try to be as negative as possible. Gilmore & Bell's role is Bond Counsel, and the ERA, CS&L and HBO studies also help. In closing, Mr. Queen stated, "you can criticize the project, you may not like the project and I can't ever do anything about that, but I am sensitive about remarks that the City is not going about this in the right way. Because they have given me substantial input into how the process is being done and it is in a very professional and cautious and conservative manner. Nobody can tell exactly how retail will do. But we are trying to build in as much downside protection as possible."

Mr. Queen concluded his presentation by answering questions from the Board members and the audience.

The last speaker was Paul Maddux, Executive Vice President of Urban Retail Properties based in Chicago, which is the third largest retail property managers in the country. Currently the lead and manage 45-million square feet of retail stores in 25 states, and have been in business for 30 years. He touched on where they are in the leasing process, and mentioned that Bass Pro and Belk Department Store are leased as some of the anchor tenants. There are other anchors such as Lake Taneycomo, the fountains at the entrance to the Town Square which will be in the middle of the project, the Boardwalk, restaurants, convention center, and the hotel. There will also be residential units and a boutique hotel. All of these things together will help us lease this retail project, indicated Mr. Maddux. Bass Pro will have 44,000 square feet of retail along with a marina where the customer in Springfield can test out the product. Belk's is a department store based in Charlotte, NC and have been in business for 111 years. It is a family business, they are the largest private department store organization in the country, and have chosen Branson to be their first store in the State of Missouri. Belk's and Bass Pro will enable us to get the specialty tenants, indicated Mr. Maddux. We can be more successful than other like projects because we have the other amenities. We have the water, the fountains, the convention center, the hotel, plus the anchors. We know that we can be successful here so therefore we want to do business here because we can make the fees required.

Mr. Maddux then answered questions from the Board members and members of the audience.

Mayor Schaefer thanked the speakers for the presentations they have made. He said there were some good questions coming from the audience and from the Board, and stated he was ready to call the question. At this time, Alderman Edie asked to make a comment.

**Alderman Edie stated, “I want to thank all the experts here tonight for all of the time they have put in and coming here and explaining to all of us again, plus the audience here. I would like to say that this resolution we are going to vote on was to authorize bonds for continuation of the infrastructure down on the Landing Project, I am 100% for it. We need to get it done no matter what, but I am from Missouri, and I think borrowing the money to buy the Sycamore Street land should be postponed until such time that we have a little better handle on what is going in down there, and if we are in fact going to get the rentals. I would hope that we get everything that I hear tonight, but because of that I can’t support this resolution.”**

**Mayor Schaefer then called for a vote on the resolution as presented. Voting aye: Dick Gass, Stan Barker, Beverly Martin, Ron Huff, and Jack Purvis. Nay: David Edie. Motion carried.**

**ADJOURN:**

**Mayor Schaefer entertained a motion to adjourn. Alderman Huff made the motion, seconded by Alderman Barker. Voting aye: Gass, Barker, Martin, Huff, Edie, and Purvis. Nays: none. Meeting adjourned at 10:00 p.m.**