



STAFF REPORT

Board of Aldermen

AN ORDINANCE APPROVING A PLAN FOR AN INDUSTRIAL DEVELOPMENT PROJECT FOR THE BUTTERFLY PALACE EXPANSION PROJECT; AUTHORIZING THE CITY TO ENGAGE BOND COUNSEL FOR THE ISSUANCE OF INDUSTRIAL REVENUE BONDS; AND AUTHORIZING ALL OTHER ACTIONS NECESSARY TO ISSUE BONDS.

FIRST READING: MAY 13, 2025

FINAL READING: MAY 27, 2025

Initiated By: Administration

Approved By: *Cathy Stepp*

Financial Impact: Other (See additional explanation under Detailed Analysis)

Community Plan 2030: ED-4: Financial Sustainability

FACTS:

In June 2024, R B D Marketing, LLC (“Applicant”) on behalf of The Butterfly Palace, proposed the use of City economic development incentives to assist financing the proposed expansion of The Butterfly Palace. The Applicant proposed the use of a community improvement district, the use of a sales tax revenue reimbursement agreement, and the issuance of Chapter 100 bonds to assist in financing the expansion of The Butterfly Palace, which includes: 1) the expansion of the existing Aviary, 2) the development of a new third level, which will allow rooftop exhibits; 3) the development of an event center; 4) the development and ongoing maintenance of new parking facilities; 5) the development of new, interactive exhibits; and 6) necessary other improvements related to the aforesaid improvements.

In consideration of the Applicant’s requests for incentives, City staff and consultants for the City, Lauber Municipal Law and Baker Tilly, conducted due diligence and evaluated the Applicant’s request for economic development incentives. As part of an overall Development Agreement for the Expansion of The Butterfly Palace (“Development Agreement”), the Applicant filed a Plan for an Industrial Development Project and Cost-Benefit Analysis for the Butterfly Expansion Project (“Plan”) on April 18, 2025. This Staff Reports discusses the details of the Plan.

DETAILED ANALYSIS:

Project Summary:

In June 2024, R B D Marketing, LLC (“Applicant”) proposed to the City the use of a community improvement district, the use of a sales tax revenue reimbursement agreement, and the issuance of Chapter 100 bonds to assist in financing the proposed expansion of The Butterfly Palace. R B D Marketing, LLC is the owner of the property on which The Butterfly Palace is located. The Butterfly Palace is a butterfly-themed tourist attraction which showcases over 1,000 live, exotic butterflies, along with butterfly and animal related interactive exhibits and educational activities. The Butterfly Palace is located at 4106 W. 76 Country Boulevard, Branson, Missouri.

The Applicant proposes to expand The Butterfly Palace, which includes: 1) the expansion of the existing Aviary, 2) the development of a new third level, which will allow rooftop exhibits; 3) the development of an event center; 4) the development and ongoing maintenance of new parking facilities; 5) the development of new, interactive exhibits; and 6) necessary other improvements related to the aforesaid improvements.

Chapter 100 Incentives:

Chapter 100, RSMo. and Article VI, Section 27(b) of the Missouri Constitution authorize the issuance of industrial revenue bonds to finance manufacturing, commercial, warehousing, and industrial projects for private corporations. Upon the issuance of Chapter 100 bonds, the municipality becomes the owner of the property, which makes the property tax exempt. This is effectively a tax abatement for the beneficial-owner of the bond-financed property during the term of the bonds. During the term of the bonds, the city owns the property but leases it back to the company under a lease-purchase agreement. Through the lease agreement, the company is responsible for making payments that are sufficient to pay the principal and interest on the bonds as they become due. Typically, the bonds are purchased by the company or the company's private lender. After the term of the bonds has ended, the company resumes ownership of the bond-financed property. If the property tax abatement provides too much incentive, the company may make payments in lieu of taxes ("PILOTs") to taxing jurisdictions affected by the tax exempt status of the property. In addition to the property tax abatement, the company may also benefit from the use of the municipality's sales tax exemption certificate on construction materials.

Plan for an Industrial Development Project and Cost-Benefit Analysis for the Butterfly Palace Expansion Project:

As part of the Development Agreement, the Applicant filed a Plan for an Industrial Development Project and Cost-Benefit Analysis for the Butterfly Palace Expansion Project ("Plan") with the City Clerk on April 18, 2025. If approved, the Plan will provide for the issuance of industrial revenue bonds to provide financing for the expansion of the Butterfly Palace, partial real property tax abatement, and the use of the City's sales tax exemption certificate for construction materials.

100.050, RSMo. requires that the Plan be approved by the Board of Aldermen. Upon receipt of the Plan, including the Cost-Benefit Analysis, the City Clerk provided notice by mail to the statutorily required taxing jurisdictions and by posting at City Hall. The Board of Aldermen will hold a meeting to first consider approval of the Plan on May 13, 2025 and will fairly and duly consider any comments submitted by the school district, community college district, Chapter 190 ambulance district, Chapter 321 fire protection district, county, and city affected by the Plan.

If the Plan is approved by the Board of Aldermen, the City will engage Gilmore & Bell as bond counsel to prepare the documents necessary for the issuance of bonds. The costs of Gilmore & Bell would be paid by the Applicant pursuant to the Preliminary Funding Agreement entered into by the Applicant and the City on July 8, 2024.

Summary of Contents of Plan:

- The Project consists of the expansion of The Butterfly Palace, along with associated parking, utilities, and other infrastructure improvements ("Project").
- The Project is expected to cost approximately \$11,500,000. The sources of funds for the Project include the bond financing approved by the City, other available funds of the Applicant. The bonds will be payable solely through the lease-purchase agreement.

- Under the Plan, the Project will be owned by the City, which will lease the Project back to the Applicant under the lease-purchase agreement. The term of the bonds is expected to be 25 years.
- The most recent equalized assessed valuation of real property and personal property of the Project site is \$761,010 (2024). The estimated total equalized assessed valuation of the real property at the Project site after the Project is completed is \$1,250,402.
- PILOTs are expected to be made to the affected taxing jurisdictions in accordance with the Chapter 100 Plan and documents associated with the bond issuance. The Chapter 100 Plan anticipates the payment of PILOTs to affected taxing jurisdictions in the amount of the taxes that would be due on the property if the Project improvements were not made. Therefore, amount of abatement is the incremental increase of property tax revenue that is generated by the Project improvements.
- The Cost-Benefit Analysis is attached to the Plan in accordance with Section 100.050, RSMo. and shows the costs and benefits to the City and to other taxing jurisdictions affected by the Project. The Plan does not attempt to quantify the overall economic impact of the Project. The tax rates used in the Plan reflect the rates in effect for the tax year 2024. The actual years and PILOT amounts may vary based on Project implementation.
- The Project will utilize the City's sales tax exemption certificate for construction materials. The estimated value of the use of the sales tax exemption certificate is \$228,690. It is estimated that 8% of purchases will be within the City, 25% will be within Taney County but outside of the City, 24% will be within Missouri but outside of Taney County, and 41% will be outside of Missouri. The Development Agreement requires the Applicant to retain and provide to the City receipts of purchases made with the sales tax exemption certificate within the City.

CITY CONSULTANTS' RECOMMENDATION: After conducting a review of the Plan for an Industrial Development Project and Cost-Benefit Analysis for the Butterfly Palace Expansion Project, it is Lauber Municipal Law's conclusion that the Board of Aldermen has the information necessary to approve the Plan for an Industrial Development Project and Cost-Benefit Analysis for the Butterfly Palace Expansion Project.

BACKUP DOCUMENTATION:

No Additional Information