



STAFF REPORT

Board of Aldermen

AN ORDINANCE TO AUTHORIZE THE MAYOR TO EXECUTE A CONTRACT FOR ECONOMIC DEVELOPMENT PROJECTS AND USE OF THE CITY'S SALES TAX REVENUE AND TOURISM TAX REVENUE FOR SUCH PROJECTS.

FIRST READING: NOVEMBER 14, 2023

FINAL READING: NOVEMBER 14, 2023

Initiated By: Administration

Approved By: *Cathy Stepp*

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

Community Plan 2030: ED-1: Economic Growth

FACTS:

DEVELOPMENT PROJECTS: Disney Immersive Project, located at 3300 Gretna Road, to be developed by Branson Immersive, LLC and Mammoth Fieldhouse Project, located at 3299 Gretna Road, to be developed by Heartland Center, LLC (collectively, the "Development Projects")

The City of Branson ("City") and Branson Mill, LLC and Heartland Center, LLC (collectively, "Applicant") began initial discussions regarding the proposed development projects in spring 2023. City staff and consultants conducted initial due diligence, which led to the proposal of utilizing a reimbursement of the City's sales tax and tourism tax to incentivize the Applicant to construct the Development Projects in Branson. The Sales Tax and Tourism Tax Reimbursement Agreement ("Agreement") reflects the proposed use of 100% of the City's sales tax revenues generated by the Development Projects and 25% of the tourism tax revenues generated by the Development Projects to incentivize the Applicant to construct the Development Projects in Branson.

Staff is requesting a double read on this item.

DETAILED ANALYSIS:

Project Information: Branson Mill, LLC (or another company to be formed by Mr. Rob Phillips) is anticipated to develop the Disney Immersive Project, a 29,446 square foot immersive exhibit in the current Big Air Trampoline Park. Disney Immersive Animation is an immersive exhibit similar to the Van Gogh exhibits that have been popular in Kansas City and St. Louis. The Disney Immersive Animation exhibit is currently located in only seven cities across the world; the Branson location would be the closest to much of the population of the Midwest and South, as the two US locations are Las Vegas and Boston. The Disney Immersive Project is a \$6 million redevelopment of Big Air Trampoline Park and is anticipated to bring in over \$19.3 million in sales and tourism tax over a 15-year period to the City. It is anticipated that the redevelopment of this property will continue leasing and development momentum of the Gretna/Shepherd of the Hills corridor.

Heartland Center, LLC (or another company to be formed by Mr. Rob Phillips and Mammoth Construction) is anticipated to develop the Mammoth Fieldhouse Project, an approximately 42,000 square foot golf, pickleball, food, and beverage recreational and entertainment facility. The Mammoth Fieldhouse Project is a \$41 million development in Branson Meadows on a 9-acre site along Gretna Road, across from Branson Mill. It is anticipated to bring in over \$19.2 million in sales and tourism tax over a 15-year period to the City and that this development will spur additional development in Branson Meadows.

Incentives Information: The City and the Applicant have proposed a \$10.3 million incentive for the Applicant to develop these Development Projects in Branson. Under this Agreement, the City would remit 100% of the City's general sales tax revenues generated by the Development Projects and 25% of the City's tourism tax revenues that are generated by the Development Projects to the Applicant for 16 years, or until the total sales tax and tourism tax revenues that are remitted to the Applicant have a cumulative value of \$10.3 million, whichever occurs first. If the Development Projects fail to produce the full \$10.3 million in 16 years, the City will not be obligated to pay the difference to the Applicant. The City will retain a 5% Administrative Fee for work performed to fulfill the City's obligations under this Agreement, including processing the reimbursement and ensuring that State laws and Department of Revenue regulations are followed.

If the Development Projects are reduced in size by equal to or more than 20% of the projected square footage, the Applicant will need to get approval of the City. If the Applicant fails to obtain the prior approval, the reimbursement will terminate.

When each Development Project opens, the City will utilize each Development Project in tourism marketing and promotional materials. When each Development Project opens, the Applicant will be required to submit to the City on a quarterly basis the number of visitors to the Development Projects and how far they have travelled from their home to the City.

Sales Tax and Tourism Tax Reimbursement: The City is authorized by 70.210, et seq. to enter into sales tax reimbursement agreements with private corporations for the planning, development, and construction of common services as long as the purposes of the contract are within the scope of powers of the City. Under a sales tax reimbursement agreement, a developer agrees to pay for costs of the development upfront and the City agrees to reimburse the developer for some of the development costs when the development begins to generate tax revenue. To approve this Agreement, the Board of Aldermen should find: 1) that the use of the tax revenues in this way is a public purpose; 2) that the use of the tourism tax revenues is for tourism marketing and promotional purposes; and 3) that the Agreement is entered into for a common service to the City of Branson.

1) City must use tax revenues for a public purpose: Cities in Missouri must spend tax revenue funds for the public; the governing body of the city can determine what public purposes are. In this case, the Board of Aldermen may determine that the public purpose of spending these tax revenue funds is to: a.) maintain the success of the City's economy, which has historically thrived on entertainment and recreational venues; b.) to create full-year venues, which are anticipated to not close during the winter and spring months, and thus not need to lay off employees, which aids in lowered crime rates and creating economic stability for residents; and b.) to provide for an expansion of tourist opportunities for the City, which aids the City's economy and supports the ability of the City to provide for its residents.

a. Additional tax revenue: The City's economy has historically thrived on tourism and recreational and entertainment venues that residents and visitors alike enjoy. These Development Projects,

which are aimed at providing opportunities for sporting entertainment and Disney entertainment, are unlike other venues currently in the City. The City anticipates that the Development Projects are venues that are highly sought after and will aid in the City's economy due to the popularity of the venues. The Development Projects are anticipated to bring in first-time tourists to Branson and create new returning visitors to the City, which will generate additional City tax revenue through restaurants, hotels, businesses, and other venues in the City utilized by visitors. The anticipation of additional City tax revenue is a public purpose to be considered by the Board of Aldermen.

b. Welfare of the community: Because the City's economy is dependent on tourism, the City currently experiences an "off season" in the late winter and early spring months; at this time, despite the fact that far fewer people are in the City than during the tourist season, the City experiences a high crime rate, which the City attributes to higher unemployment due to the lack of tourists. The City anticipates that the Development Projects will remain open for the full 12 months and thus will not need to lay off employees or close for the off season. This will provide stability to the City's economy and to the financial situation of residents who want to remain employed for the full year. The welfare of the community is a public purpose to be considered by the Board of Aldermen.

c. Expansion of opportunities: Though the City has historically thrived on the current entertainment venues available, the City wants to expand the type of venues available to tourists in anticipation that more first-time tourists will visit the City for new venues. Due to the popularity of golfing and pickleball recreation venues and the popularity of Disney experiences, the City believes that it will attract new tourists to the City by promotion of the Development Projects. The City estimates that in 2021, 10 million tourists visited the City but only 1 million of those tourists were first-time visitors. By expanding the types of venues that are available, the City anticipates that more first-time visitors will consider Branson for their vacations. Expansion of entertainment venues to attract new tourists is a public purpose to be considered by the Board of Aldermen.

Thus, the use of sales tax and tourism tax revenues through this incentive will support the City's economy through additional tax revenue, provide opportunities for residents to work year-round, and provide the City with expanded opportunities for tourists, which results in further support for the City's economy and the ability of the City to provide services to its residents and promote the welfare of the community as a whole.

Staff recommendation: City Staff recommends that the Board finds that the use of the sales tax and tourism tax revenues generated by the Development Projects is for public purposes, which include additional tax revenue to the City, opportunities for residents to work year-round, and expansion of tourist opportunities to attract new tourists to the City.

2) Use of tourism tax revenue for tourism marketing and promotional purposes: The City's Tourism Tax is authorized by 94.802, RSMo. 25% of the collected tourism tax may be used by the City for tourism marketing and promotional purposes. The use of these tourism tax revenues for these Development Projects will result in tourism marketing and promotional opportunities for the City. The City will promote the Development Projects in its marketing and promotional materials and the Applicant shall collect and remit to the City data related to how far visitors have travelled to each Development Project. This data will allow the City to evaluate its tourism marketing and promotional materials and programs. The City estimates that in 2021, 10 million tourists visited the City but only 1 million of those tourists were first-time visitors. By marketing and promoting these two Development Projects, the City hopes that first-time tourists will want to visit Branson to experience the Disney Immersive Project and the Mammoth Fieldhouse Project and return to the City for more tourism in the future.

The City does not have an immersive experience like the Disney Immersive Project, nor does it have any Disney-associated venues. The Disney Immersive Project has two locations in the United States, which are Las Vegas and Boston. The Branson Disney Immersive Project will be the closest location for much of the population of the Midwest and South. The City anticipates that it will be able to attract first-time tourists to Branson who are interested in the Disney Immersive Project, which will be effectuated through tourism marketing and promotion.

The City does not currently have a recreational and entertainment facility like the Mammoth Fieldhouse Project, which offers sporting recreation for the entire family. The City believes that golfing and pickleball recreational facilities are high on the vacation to-do list for families and are enjoyable day excursions for residents those who live around Branson. The City, whose economy has historically thrived on entertainment venues, anticipates that an indoor/outdoor sporting recreational facility will appeal to first-time tourists, who will be exposed to the Mammoth Fieldhouse Project through tourism marketing and promotion.

Staff recommendation: City Staff recommends that the Board finds that the use of the tourism tax revenues generated by the Development Projects as described in the Development Agreement is for the purpose of tourism marketing and promotion.

3) The Development Projects are a common service: The City is authorized by 70.210, et seq. to enter into sales tax reimbursement agreements with private corporations for the planning, development, and construction of common services. The purposes of the contract must be within the scope of powers of the City. To approve this Agreement, the Board of Aldermen should find: a.) that the common service provided to the City under this Development Agreement is to provide entertainment and recreational venues for residents and tourists; and b) that such purpose is within the scope of powers of the City.

a. Common service: The common services provided to the City by this Agreement are the development of the Disney Immersive Project and the Mammoth Fieldhouse Project, the benefits of which are incorporated within this Staff Report. The Development Projects are common services to the residents and tourists of the City because they are venues that may be enjoyed by all and will aid the City and its residents in many aspects. The Development Projects are anticipated to remain open for the entire year, providing year-round jobs and financial stability for residents. The Development Projects will provide the City with tourist marketing and promotional opportunities, which will encourage first-time tourists to patronize the City in connection with the Development Projects and encourage them to come back to the City time and time again. The Development Projects are anticipated to be popular tourist attractions which will attract visitors for day trips and for extended vacations. While in the City, tourists will patronize restaurants, hotels, businesses, and other venues; these new tourists will create additional tax revenue for the City and additional revenue for businesses themselves. Additional revenue for the City will help it provide services to the residents and to tourists. In sum, the Agreement provides for the development of the Development Projects, which are a common service which will provide many benefits to the City, its residents, and to the tourists upon which the City's economy depends.

b. Purpose within the scope of powers of the City: The purposes of the Agreement are those listed in the above section a. and are further explained in this Staff Report. Providing for opportunities for year-round jobs and financial stability for residents, tourist marketing and promotion, which drives the City's economy, and additional tax revenue from a new group of first-time tourists are all within the scope of powers of the City. The Mayor and Board of Aldermen are charged by 79.110, RSMo. with the responsibility of the City's good government, preservation of peace and

good order, the benefit of trade and commerce, and the health of the inhabitants of the City. The Board of Aldermen must make decisions for the benefit of the City, and it shall determine what decisions can help benefit the City. It is within the scope of the powers of the City to provide for economic development and to use its sales tax and tourism tax revenue for the public purposes described within this Staff Report, for the City to use its tourism tax for the tourism marketing and promotional opportunities as outlined in the Agreement, and for the City to use a sales tax and tourism tax reimbursement agreement to incentivize the Applicant to develop and construct the Development Projects in the City of Branson to effectuate these purposes.

Staff recommendation: City Staff recommends that the Board finds that the Development Agreement as described herein is for the planning, development, and construction of common services, which are recreational and entertainment venues that: 1) are anticipated to remain open for the entire year and not need to lay off employees in the tourist off-season, which will aid in the financial stability of the City's residents, as they are anticipated to remain employed for the full year; 2) will provide tourist marketing and promotional opportunities to the City; and 3) are anticipated to attract new tourists to Branson, which will aid in stability of the City's economy, as it has historically been dependent on tourists. Further, City Staff recommends that the Board finds that those purposes are in the scope of the powers of the City to effectuate the good government of the City, the preservation of peace and good order, the benefit of trade and commerce, and the health of the City's residents.

BACKUP DOCUMENTATION:

No Additional Information