



October 12, 2016

Via US Mail and e-Mail to Delbert.Hosemann@sos.ms.gov

Hon. Delbert Hosemann, Secretary of State
State of Mississippi
400 High Street, Room 105
New Capital Building
Jackson, MS 39201

Re: City of Biloxi Zoning Change at Point Cadet, Case No. 16-050-PC

Dear Mr. Secretary:

It was a pleasure to meet with you Thursday, October 6, 2016 and hear your plan for the various parcels in which the State claims a property interest that are the subject of the zoning change proposed in the referenced case set for a hearing October 20, 2016 before the Biloxi Planning Commission. Your counsel requested that we consider withdrawing the request for zoning change before the October 20th hearing on the above case, in order that you may have time to move forward with presenting a potentially competing project on the same site.

Thursday, October 6, 2016 was the first time that you disclosed to the City your potential casino development and related "Mississippi Secretary of State Coastal Land Use Site Capacity Study", which I understand Broadbudd Planning delivered to you in April 2016. Since that time, the potential casino development concept in that study was not shared with the City or to the general public. For the reasons discussed below, we do not think postponing the request for zoning change is in the best interest of the citizens of the City of Biloxi and the State of Mississippi.

Margaritaville Resort, which opened June 2016, brought a new type of visitor to our Coast market. Its proposed Phase II expansion (Margaritaville II) without question, with the added attractions, convention and hotel facilities, will bring significant numbers of these new visitors to us. Margaritaville II, a \$140 million dollar project without a casino, is positioned to move forward now but within a limited window of opportunity. The result will be much needed new jobs and revenue to Biloxi and the State. It should also be noted that it has near total support from the Biloxi business community and its citizens. You stated earlier this year regarding the Deer Island pier/visitation project that it would give our tourists an excuse to "stay another day". Certainly, Margaritaville's new venture will give families a reason to visit us in the first place and stay another day.

The expected increase in visitation resulting from this new project will strengthen the likelihood of future casino investments. In addition, Biloxi will have a package that none of the other gaming jurisdictions (current or future) could match. While we certainly respect your idea about creating another casino site on land claimed by the State, there is no developer ready to invest at this time. Many years have passed since Katrina with little or no interest in developing a casino at this site. In contrast, Margaritaville II is a definitive project that will bring much needed family-oriented activities to the Coast. I wish to elaborate this last point.

The City's waterfront master plan adopted in the 1980s and amended in the '90s envisioned family-oriented entertainment for the Point Cadet area. The City's strategic plans envisioned a water park, amusement park, waterside boardwalk and other public access, waterfront recreation and related retail shops, restaurants, tour boats, recreational and commercial fishing boats, and water-dependent crafts and businesses. Over the years, people who may not care for casino gaming have pleaded with the City to develop more family-oriented entertainment within the City and especially in the Point Cadet neighborhood, where a growing number of museums and other family-oriented attractions have located in recent years.

Now that a major family entertainment opportunity, the Margaritaville II Amusement Park and its related public boardwalks at Point Cadet, presents itself, the City thinks that it is important to facilitate the need for more non-casino land use on the waterfront that will fulfill the City's strategic plans for waterfront development to restore and revive the overall water-dependent tourism industry and enhance the quality of life for people of all ages. Waiting an uncertain amount of time for your office's uncertain casino project to materialize, if ever, could result in a loss of the Margaritaville II family entertainment project. Interest rates for private development may change soon, and, more importantly, the investors and lenders for Margaritaville II may take delay as a sign that a family entertainment project is not desired by the State and City governments, especially in light of the fact that the Secretary of State's recent, 11th hour request to put off the zoning change is being made for an uncertain project the Secretary of State has since April of 2016 had on his drawing board without public disclosure.

We hope you will see that re-zoning the site to exclude casino use while encouraging land use for family entertainment is in everyone's best interest. On behalf of the people of Biloxi and the entire State, we respectfully request that your office withdraw its objections to the zoning change for family entertainment. If not, the City will hear the Secretary's position with open minds and determine whether the various properties should be re-zoned, based on the facts, the law, and good public policy. Also, please be advised that the overall territory of the proposed zoning change that will be heard by the Biloxi Planning Commission at 2:00 pm on October 20, 2016 at the Planning Commission Auditorium at 676 Dr. Martin Luther King, Jr., Blvd., Biloxi, in addition to the block of parcels north of Highway 90 and existing Margaritaville, includes all parcels south of Highway 90 that your office claims that the State has a property interest in and that are located between the current Margaritaville parcel (former Casino Magic) westward to the current Harrah's parcel and eastward to the current Riverboat (Golden Nugget) parcel, whether the Secretary of State's claimed tidelands parcels are listed on a Harrison County Tax Parcel or not, as shown on the attached Map.

As you know, regardless of whether the subject properties are rezoned, the major obstacle for Margaritaville II is to obtain, before January 2017, from the Secretary of State a signed tidelands lease at a commercially reasonable rental rate for that portion of the site in which the Secretary claims the State has a property interest. Land lease rates at this site should at most be commensurate with family entertainment businesses as opposed to rates that may be applicable to an uncertain, future casino site. The City encourages you to conclude your negotiations with Margaritaville II as soon as possible at a reasonable rental rate for a non-casino site.

Indeed, as you know, the purpose of the Public Trust for Tidelands is not to make money for the State. Under state law, the primary purposes of the centuries-old Public Trust for Tidelands are to promote commerce, fishing, and recreation. The unique Public Trust for Tidelands grants certain commercial rights to property owners (including cities) of the upland bordering the mean high tide line, in order to encourage private investment in waterfront commerce, fishing, and recreation that will benefit the general public through economic growth and enhanced quality of life through public access to the waterfront and adjacent seascape. In recent years, protection of natural ecosystems has also been recognized as an inherent purpose of the trust, but there are no environmental issues in this case, because the subject site was a commercial seafood industry site for many decades and does not presently have any marsh or environmentally sensitive submerged lands adjacent to it.

However, even if you base your decisions on likely annual income to the State treasury, the proposed Margaritaville II family entertainment on the site will likely produce a far greater return to the State than your casino proposal. For Biloxi's strategic planning for community development, gaming has never been an end in itself—it is only one of several means to the end of reviving and expanding the overall tourism economy in Biloxi and throughout the Coast. New family-oriented attractions are currently a much more important means to reviving and expanding the overall tourism economy through attracting new visitors to the Coast that will boost the overall economy throughout the twelve coastal cities, by occupying hotel rooms, eating in local restaurants, shopping in retail venues, enjoying a variety of recreational venues and visiting the Coast's many museums and cultural attractions. Of course, some of these visitors will also visit the existing casinos. These new visitors will generate new sales tax and gaming tax to the State, as well as the cities, and will generate more income tax to the State from the small business owners who would have growth in their businesses, as well as, the new jobholders that will be generating state income tax from new salaries.

To use Margaritaville II as an example, in its first full year of operation, the Margaritaville II Amusement Park and related new hotel developments have a potential annual projection to attract over 1,000,000 new visitors, resulting in approximately \$28 Million in gross sales on site that will produce \$1,960,000 in new sales tax to the State and City. Margaritaville II is anticipated to create about 700 new permanent jobs on site with an annual payroll of \$7,800,000, resulting in approximately \$250,000 in new state income tax. It is reasonable to expect that at least 25% of the 1,000,000 new visitors will also patronize near-by casinos and wager an average of \$87.00, generating approximately \$1,740,000 in new annual gaming tax revenue to the State and \$870,000 to the City and County.

By contrast, the Coast gaming market is currently flat, with the most recent casino in D'Iberville apparently drawing existing patrons away from existing casinos without growing the market. Your proposed small, 5-acre casino would likely do the same and not grow the market, which would result in no new tax revenue to the State.

In short, the family-oriented waterfront recreation project proposed by Margaritaville II along with its public waterfront boardwalks serve the fundamental purposes of the Public Trust for Tidelands, but waiting for a state-developed casino someday to produce higher tidelands rent without additional sales and income tax to the state treasury, would not serve the best interests of the State treasury and the City of Biloxi nor the immediate needs of the Public Trust for Tidelands.

Sincerely yours,



Andrew "FoFo" Gilich
Mayor, City of Biloxi

CC by e-Mail:

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