Quitman Development Corporation QDC Project 09-003 The "Emergence" Project

Project Goals: When this project is completed, Quitman will have gained

- At least 75 new jobs
- At a least a 50% gain in local sales tax revenues
- At least a 100% gain in local Hotel Occupancy Tax revenues
- A substantial increase in property values in the immediate vicinity of the project and within the City itself.
- An area suitable for conducting larger, more elaborate events.

Background: The Quitman Development Corporation (QDC) has acquired, through the generosity of the Quitman Industrial Foundation, a parcel of property of approximately 30 acres. This document outlines the development plan for this property. The plan is based on the need to reach the goals defined above and the facts that:

- The property is located adjacent to already established entertainment/recreation areas, e.g., Jim Hogg Park.
- It is located in the immediate vicinity of a primary center of commercial activity.
- It possesses the potential to enhance city's appeal and, therefore, to attract a much larger number of out of town visitors and new residents and, as such, stands to set a new standard for the aesthetic as well the functional.

In recognition of the forgoing it is advantageous that the QDC create a place where it's "nice to be" rather than a place where it is merely possible to go. Accordingly, the recently acquired property will be developed to serve that purpose.

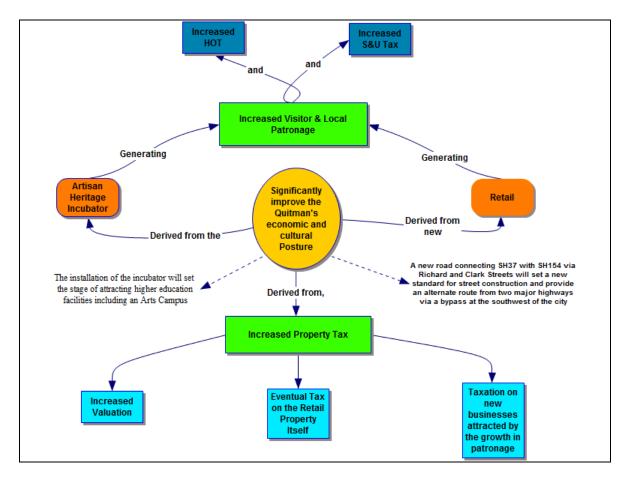
Concept: The concept combines tourism development, retail development, manufacturing development and, education all of which are discussed throughout this paper. It will also result in a material improvement in the community. Specifically, the project will produce:

• With respect of tourism and manufacturing: An artisan heritage incubator (see Attachment A) of approximately 10,000 ft² setting Quitman apart from the vast majority of Texas communities and rendering Quitman more attractive to both visitors, potential residents and the businesses that will be established to serve both. Nonetheless, the primary purpose of the incubator is to discover artistic talent and develop demand for arts products to a point where they must be manufactured. At that juncture, the QDC will initiate a new project to develop such a manufacturing capacity. A direct and immediately benefit of the incubator will be increased sales tax revenues generated by the sale of the items produced at the incubator. Indirectly, the incubator will generate additional Hotel Occupancy Tax (HOT) revenues resulting from an increase in visitors.

Although part of the project will definitely reside in the private sector, it is anticipated that the property tax that would be generated will be abated for some period of time. However, the project will result in increased valuation especially in the immediate vicinity of the project and eventually within the project itself. The City may also see an increase on sales, "HOT" and property tax revenues resulting from new businesses being established as a result of increased visitation and local patronage in Quitman.

- With respect to retail Development: Between 100,000 ft² and 150,000 ft² of new retail/commercial space will be built resulting in an immediate, direct, increase in sales & use tax and, indirectly, in an increase HOT revenues. Eventually property tax revenues will increase as a result of direct taxation of the retail property itself.
- With respect to general improvement of the community: A new road connecting Main Street (SH37) with Goode Street (SH154) via Richards Street and Clark Street. It is intended that this road work will include curbs, gutters, sidewalks, decorative lighting and landscaping thus setting a new standard for road construction in Quitman.

The project concept is depicted in the following graphic:



General Approach to the Development: The project property will be developed as a professionally designed and landscaped "park" configured to accommodate the artisan heritage incubator and retail businesses. It will be traversed by a road designed and constructed to reflect the overall purpose of the area. The property may include paths, ponds, sitting areas and outside art as well as access to adjacent public areas (the Arboretum and Jim Hogg Park). Commercial structures, e.g. retail and eating establishments, will also enhance the overall appeal of the area. In every instance, development will be tightly controlled by the QDC Board, or other duly appointed authority, through ad hoc subdivision ordinances. In every instance, the property will exhibit thoughtfulness, high quality and architectural consistency/blending. When completed it will provide a truly unique edifice marking Quitman as a equally unique destination which, again, will serve to attract visitors.

In the Longer Term: An arts education program will be established through affiliations with local secondary schools and institutions of higher learning. In addition, arts summer camps may be established providing educational experiences for both adults and young people. It is expected that this educational facet of Emergence will further enhance the project's overall appeal as well as make open new funding sources.

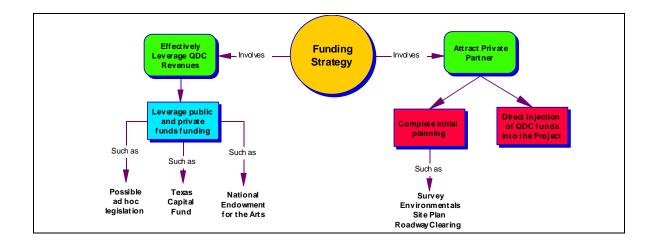
Costs and Budget: It is anticipated that the initial project will cost upwards to \$10.0 million about half of which will be spent by the QDC in FY2011. Meanwhile, initial planning and due diligence activities are reflected in the FY2010 budget as follows:

Land Development Project FY10 Budget (proposed)	\$47,810
Survey	Completed
Site Plan	\$ 9,500
Cost Benefit Analysis	\$ 8,500
Phase 1&2 Environmental Testing	Completed
Architectural Planning	\$ 8,500
Landscape Planning	\$ 8,500
Clearing	0
Project Travel	\$ 3,000
Other	\$ 8,810

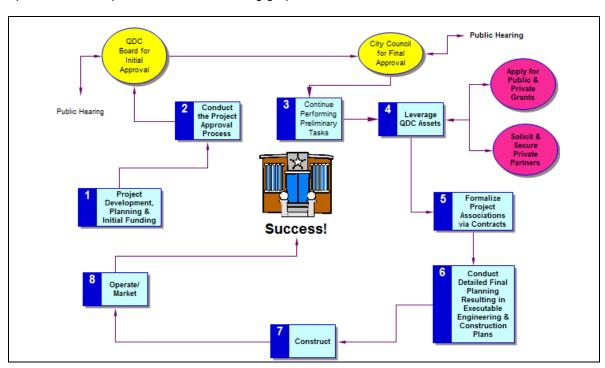
Potential Funding Sources: The QDC's ability to leverage funds provides the first source of project funding and the statutory process required to do so will begin immediately. These leveraged QDC funds will then be used to leverage:

- Creation of public-private partnerships (see Attachment B)
- · Public and private grants
 - Community Development
 - o Advancement of the Arts
 - Advancement of Education
 - New Market Tax Credits
- Establishing one or more local foundations to solicit and amass funds from the general public
- Direct and/or in kind assistance from the City of Quitman
- Direct and/or in kind assistance from Wood County

The overall goal of the funding strategy is to achieve a ratio of 1:10 leveraged QDC funds to others. A graphic presentation of the funding strategy follows:



Task Flow & Progress to Date: 'Task flow' refers to the order in which top tier tasks will be performed as is presented in the following graphic:



The project is currently in Step 2 of the Task Flow but should be completed by the end of September 2009. To date the following entities have been approached and advice solicited and given:

- KSA Engineers (the city engineers) to complete a site plan of the project property
- Bank Texas regarding leveraging QDC sales tax revenues.
- University of Texas at Arlington, Institute of Urban Studies regarding possible collaboration with respect to defining best practices and possibly assisting in identifying potential public and private partners
- Bobby Frenzel Architect
- Mr. Rod Miller, former executive director of the Corpus Christi Arts Center.
- Mr. Buster Fitzgerald, of Ben Fitzgerald Realty (Tyler) regarding retail development.

• Other individuals with proved success in project development/construction, finance, arts organization management, fund raising, and law.

Organizational Strategy: The City Council of the City of Quitman will exercise oversight of the project through the QDC Board of Directors in accordance with Texas Local Government Code. The QDC Board of Directors will retain control of the Project (also in accordance with Texas Local Government Code) through management of contracts executed with individual participants which may consist of:

The City of Quitman: The City will continue to maintain Richards Street, including its
extension through the property once that extension is dedicated to the City. The City will
also endeavor to improve Clark Street and will continue to maintain it. Finally, the City of
Quitman will assume responsibility for maintenance of those park areas not under the
control of the other participants.

Initially, a 501(c)3 corporation will be established to help lead the overall project to a successful conclusion through Step 4 of the Task Flow. Following that:

- A 501(c)3 corporation established for the specific purpose of managing the incubator with a view to rendering it, at a minimum, self supporting which, by definition, would also render it successful. These management tasks will include contracting for design and construction of the facility
- The QDC will enter into a public-private partnership with a private sector entity which will construct and manage the retail/commercial entities of the project and render them profitable. Thus, the organizational structure of the retail/commercial partner will be the corporate structure of that partner.
- Other venders, contractors, consultants, etc, may be required to accomplish specific tasks as may arise.

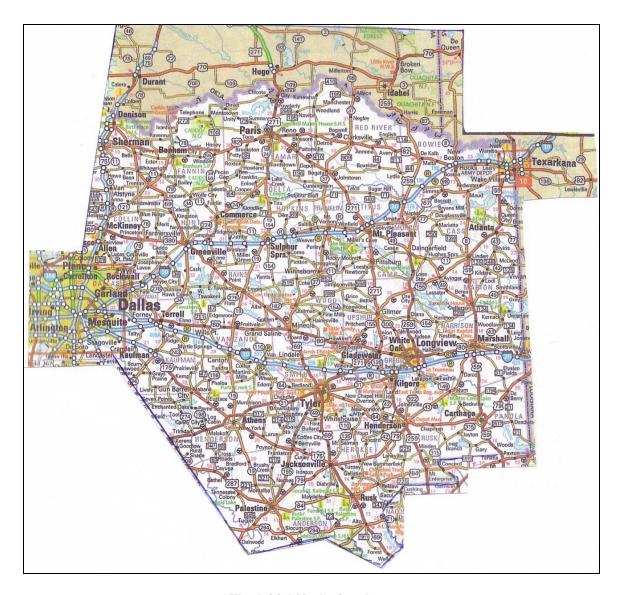
It is intended that each of these corporations will be overseen by its own board of directors chosen based on sets of qualifications defined by the QDC Board of Directors. For example, it goes without saying that the private partner in the public-private partnership envisioned will be named to the Board of the directors and that directors of the non-profit corporation will be selected from among those with a proven ability to raise funds for the project.

It is also intended that each corporation will be professionally managed with a view to maximizing sales of products available through both the incubator and the retail elements.

Public hearings are not required to undertake initial project development since funds to do that have already been approved. However, both final project approval and approval to leverage QDC sales taxes require public hearings.

Finally, this project requires Board approval and it is recommended that some level of public input be sought prior to rendering such approval.

Initial Marketing Area: The market area associated with this project consists of the Dallas PMSA, Texas and southern Oklahoma counties running east from US75 to the convergence of the northern Texas and eastern Oklahoma state lines, then further east along the northern Texas state line to the convergence of the northern Texas and western Arkansas state lines to include the greater Texarkana MSA, then south along the Texas eastern state line to the southern Panola County line, then east through Panola, Rusk, Cherokee, Anderson, Henderson and Kaufman counties and all the area encompassed within this area as shown below:



The Initial Marketing Area

Marketing Strategy: The success of the incubator is the key to total success of the project. Accordingly, the initial marketing strategy is centered on the incubator. Within this context;

The internet will be the initial marketing venue for this project. Specifically, a data base composed of arts associated businesses and organizations located within the Initial Marking Area will be developed and provided to an internet marketing company. The internet marketing company, in conjunction with incubator management, will develop:

- An introduction message which will be e-mailed to database addresses.
- Follow-up e-mails, mailings, phone calls, etc, will be made to those recipients who open
 the initial e-mail with a view to creating a personal, one-on-one relationship with those
 recipients.
- Additional mass mailings will be used to distribute newsletters, event announcements, etc. followed by individual communications with those recipients who demonstrated an interest.

The database will be expanded as new organizational recipients become known to incubator management and from guest lists of visitors to the incubator. After some period of time, the response to these e-mail messages will be analyzed and determination made as to which parts of the market area are more responsive to the e-mailings and which category of recipients have demonstrated the most interest in the incubator. This data will be used to create and implement targeted marketing programs.

Although this initial marketing effort will focus on the incubator, each mass and some individual communications will also highlight our retail businesses. Beyond this, marketing will be controlled by the private partner.