

IN THE SUPREME COURT OF THE STATE OF NEVADA

CITY OF LAS VEGAS, A POLITICAL
SUBDIVISION OF THE STATE OF
NEVADA,

Appellant,

vs.

180 LAND CO., LLC, A NEVADA LIMITED-
LIABILITY COMPANY; AND FORE STARS,
LTD., A NEVADA LIMITED-LIABILITY
COMPANY,

Respondents.

180 LAND CO., LLC, A NEVADA LIMITED-
LIABILITY COMPANY; AND FORE STARS,
LTD., A NEVADA LIMITED-LIABILITY
COMPANY,

Appellants/Cross-Respondents,

vs.

CITY OF LAS VEGAS, A POLITICAL
SUBDIVISION OF THE STATE OF
NEVADA,

Respondent/Cross-Appellant.

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The reason is that higher-density developments make for more walkable neighborhoods and bring together the concentration of population required to support public transportation. The result is that residents in higher-density housing make fewer and shorter auto trips than those living in low-density housing.²⁵ Condominium and townhouse residents average 5.6 trips per day and apartment dwellers 6.3 car trips per day, compared with the ten trips a day averaged by residents of low-density communities. (A trip is defined as any time a car leaves or returns to a home.)

Increasing density can significantly reduce dependency on cars, but those benefits are even greater when jobs and retail are incorporated with the housing. Such mixed-use neighborhoods make it easier for people to park their car in one place and accomplish several tasks, which not only reduces the number of car trips required but also reduces overall parking needs for the community. But if retail uses are to survive, they must be near households with disposable income. Having those households within walking distance of the shops builds in a market for the stores. One study indicates that in some markets, 25 to 35 percent of retail sales must come from housing close to shops for the shops to be successful.²⁶

PROFILE

Southwest Station

The Southwest Metro Transit Commission is a small suburban bus system near Minneapolis that serves downtown Minneapolis and numerous other employment and recreation centers, including Minnesota Twins baseball games. The American Public Transportation Association calls it the “best small system in the country.” In an effort to capitalize and expand on the success of the system, the commission has encouraged transit-oriented development at its bus stops. In Eden Prairie, Minnesota, the commission completed a bus depot and five-story parking garage on 22 acres of excess right-of-way. In 2001, it started selling land around the transit complex for retail and residential development. Restaurants, shops, and more than 250 apartments, condominiums, and townhouses soon followed. The new development generated revenue for the commission, new public transit riders, affordable convenient housing, and a suburban lifestyle with the amenities usually afforded only to city dwellers.

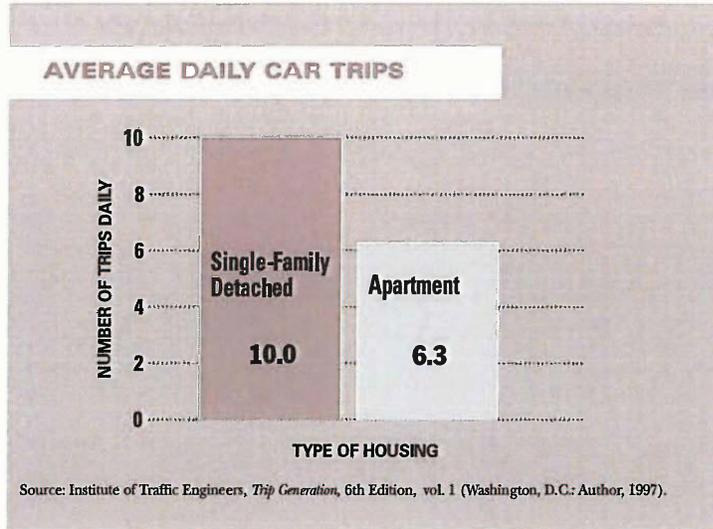


The Southwest Metro Transit Commission in suburban Minneapolis runs an award-winning bus system and has encouraged higher-density development around transit stops, like this one at Southwest Station in Eden Prairie, Minnesota.

PRJ-63491
02/25/16

MYTH THREE | FACT THREE

With a typical family now making more car trips for family, personal, social, and recreational reasons than for commuting to work,²⁷ reducing the number of noncommuting trips takes on greater importance in the battle to reduce traffic congestion and parking problems. A case study in Washington, D.C., found that workers in dense downtown Washington made 80 percent of their mid-day trips by foot while suburban workers made 67 percent of their mid-day trips by car.²⁸ Although a suburban office park would never reach the density levels of a downtown area, planners can still reduce the auto dependency of suburban office workers by using some of the same design techniques. Concentrating density around



suburban offices, allowing and encouraging retail and restaurants in and near the offices, and planning for pedestrian and bike access can all reduce the number of lunchtime car trips required by office workers.

Higher-density mixed-used developments also create efficiencies through shared parking. For example, office and residential uses require parking at almost exact opposite times. As residents leave for work, office workers return, and vice versa. In addition, structured parking becomes feasible only with higher-density developments.

Higher-density development also makes public transit more feasible. When a community that includes residences, shops, and offices reaches a certain threshold of density, public transit-shuttles, bus service, trams, or light rail becomes an option for residents. It is estimated that a minimum density of seven dwelling units per acre is needed to make local bus service feasible with an intermediate level of service.²⁹ Light rail needs a minimum density of nine dwelling units per acre to be feasible.³⁰ When a community can take advantage of these options and increase the transportation choices for residents, relief is greater as total car dependency is further broken. Such choices are impossible for low-density developments.

PRJ-63491
02/25/16

18 Higher Density Development
MOD-63600, GPA-63599, ZON-63601 and DIR-63602

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MYTH

Higher-density development leads to higher crime rates.

FACT

The crime rates at higher-density developments are not significantly different from those at lower-density developments.

People sometimes associate density with crime, even though numerous studies show that no relationship exists between the two. A study in Irving, Texas, using geographic information systems and crime statistics, found no link between crime and density. In fact, it found that single-family neighborhoods are “not all associated with lower crime rates.”³¹ Another study conducted by the University of Alaska found no relationship between housing density and crime in Anchorage.³²

PROFILE

Westminster Place

Although today Westminster Place is a thriving, safe community in midtown St. Louis, it was not always the case. The area, approximately 90 acres, was well known by the St. Louis police department for its high rate of violent crime, which led to the area's becoming blighted. McCormack Baron Salazar, a St. Louis-based developer, brought the community back through the addition of higher-density mixed-income housing comprising affordable and market-rate units. The master plan included for-sale and rental housing, garden apartments, townhouses, single-family homes, and even an assisted living facility for seniors. A new community pool, a bustling retail center, and a magnet school are included as well. The new plan slowed traffic through the community, added landscaping and street and parking lot lighting, and new “eyes on the street,” making it more difficult for criminals to go unnoticed. The area blossomed into a place where people once again feel safe walking. The success of the community spurred the revitalization of surrounding areas.



Increasing the housing density, adding some market-rate housing, and developing a design that slowed traffic and added additional lighting changed Westminster Place from a crime-ridden neighborhood to a thriving, safe community.

PRJ-63491
02/25/16

MOD-63600, GPA-63599, ZON-63601 and DIR-63602

Myth and Fact

19
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PROFILE

East Village

East Village is a small urban revitalization project on the edge of downtown Minneapolis. Before the project was built, the neglected 2.9-acre site contained several deteriorating rental homes, old commercial buildings, and abandoned surface parking lots. The neighborhood wanted to improve the area and the image of one of the city's oldest neighborhoods, Elliot Park. The developers of the project, Central Community Housing Trust and East Village Housing Corporation, developed the new mixed-income housing and commercial community to encourage a sense of community and ownership. East Village now features community green space, pedestrian paths, and neighborhood businesses. Buildings surround the greenway that leads to Elliot Park, a city park with year-round activities and a community center. Brick, bay windows, and French balconies complement historic buildings in the area. In addition, all buildings have multiple entrances to encourage interaction among neighbors. An underground 350-space parking garage frees up space for landscaped areas. This once neglected area has won two awards for innovation and design and become an exceedingly successful vibrant and safe community.



CENTRAL COMMUNITY HOUSING TRUST

The additional "eyes on the street" created by the development of East Village in Minneapolis has led to a safer vibrant community.

PRJ-63491
02/25/16

Arizona researchers found that when police data are analyzed per unit, apartments actually create less demand for police services than a comparable number of single-family houses. In Tempe, Arizona, a random sample of 1,000 calls for service showed that 35 percent originated from single-family houses and just 21 percent came from apartments. Similarly, a random sample of 600 calls for service in Phoenix, Arizona, found that an apartment unit's demand for police services was less than half of the demand created by a single-family house.³³

One reason for the misperception that crime and density are related could be that crime reports tend to characterize multifamily properties as a single "house" and may record every visit to an apartment community as happening at a single house. But a multifamily property with 250 units is more accurately defined as 250 houses. To truly compare crime rates between multifamily properties and single-family houses, the officer would have to count each household in the multifamily community as the equivalent of a separate single-family household. When they do so, many find what the previous studies prove: that crime rates between different housing types are comparable.

Higher-density developments can actually help reduce crime by increasing pedestrian activity and fostering a 24-hour community that puts more "eyes on the street"³⁴ at all times. Many residents say they chose higher-density housing specifically because they felt more secure there; they feel safer because there are more people coming and going, making it more difficult for criminals to act without being discovered. This factor could explain why a ULI study of different housing types in Greenwich, Connecticut, shows that higher-density housing is significantly less likely to be burglarized than single-family houses.³⁵ The relationships among design, management, and security became better understood in the past few decades with the publication of several seminal works, including *Defensible Space: Crime Prevention through Urban Design* by Oscar Newman³⁶ and *Fixing Broken Windows: Restoring Order and Reducing Crime in our Communities* by George Kelling and Catherine Coles.³⁷ Many new higher-density developments include better lighting plans and careful placement of buildings and landscaping to reduce opportunities for crime, contributing to a safer community.

With the emergence of better-quality designs, higher-density mixed-use development is an attractive and safe addition to a community, one that is increasingly attracting a professional constituency seeking safety features. In fact, the luxury segment is one of the fastest-growing components of the multifamily industry.³⁸

PRJ-63491
02/25/16

5 MYTH FACT

Higher-density development is environmentally more destructive than lower-density development.

Low-density development increases air and water pollution and destroys natural areas by paving and urbanizing greater swaths of land.

Low-density sprawl takes an enormous toll on our air, water, and land. The United States is now losing a staggering 2 million acres of land a year to haphazard, sprawling development.³⁹ More than 50 percent of Americans live in places where the air is unhealthy to breathe,⁴⁰ and childhood asthma and other respiratory diseases are on the rise.⁴¹ Almost half the damage to our streams, lakes, and rivers is the result of polluted runoff from paved surfaces.⁴²

It is inefficient land use, not economic growth, that accounts for the rapid loss of open space and farms. Since 1994, housing lots larger than ten acres have accounted for 55 percent of the land developed.⁴³ This loss of land often causes unexpected economic challenges for rural communities, where farmland, forests, ranchland, and open space tend to be the economic drivers that attract businesses, residents, and tourists. Low-density sprawl compromises the resources that are the core of the community's economy and character. The majority of American homeowners think it is important to stop these trends. In fact, 76 percent of local ballot initiatives related to land conservation passed in November 2004, making \$2.4 billion in funding available for protection of parks and open space.⁴⁴ But purchasing land is only part of the solution and not always an option for financially strapped governments.

Higher-density development offers the best solution to managing growth and protecting clean air and clean water. Placing new development into already urbanized areas that are equipped with all the basic infrastructure like utility lines, police and fire protection, schools, and shops eliminates the financial and environmental costs of stretching those services farther and farther out from the core community. Compact urban design reduces driving and smog and preserves the natural areas that are assets of the community: watersheds, wetlands, working farms, open space, and wildlife corridors. It further minimizes impervious surface area, which causes erosion and polluted stormwater runoff. Two studies completed for the state of New Jersey confirm that compact development can achieve a 30 percent reduction in runoff and an 83 percent reduction in water consumption compared with conventional suburban development.⁴⁵

PRJ-63491
02/25/16

²³ Higher Density Development
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PROFILE

Prairie Crossing

The developers of Prairie Crossing, George and Vicky Ranney, saved \$1 million in infrastructure costs through environmentally sensitive design. The 677-acre conservation community is located in Grayslake, Illinois, 40 miles northwest of Chicago and one hour south of Milwaukee. The community features 350 acres of open space, including 160 acres of restored prairie, 158 acres of active farmland, 13 acres of wetlands, a 22-acre lake, a village green, and several neighborhood parks. Houses are sited to protect natural features such as hedgerows, native habitat, and wetlands. Designed with colors and architecture inspired by the landscape, every home has a view of open space and direct access to ten miles of on-site walking and biking trails. Wide sidewalks, deep front porches, and rear garages encourage neighbors to meet. The homes were built with U.S. Department of Energy-approved green building techniques. As a result, they are 50 percent more energy efficient than other homes in the Chicago area, and they sell for a 33 percent sales premium. Station Village is the last phase of Prairie Crossing. When complete, it will include residential, retail, and office space, all within walking distance of two commuter train stations. Residents can ride Metra's North Line to Chicago's Union Station or the Central Line to downtown Chicago and O'Hare Airport.

More than half the land at Prairie Crossing was preserved as open space, and homes were built with approved green building techniques.



PRJ-63401
02/25/16

MOD-63600, GPA-63599, ZON-63601 and DIR-63602

Myth and Fact 23

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PROFILE

The Preserve

USS Real Estate originally held a 550-acre tract of land in Hoover, Alabama, but sold 250 acres to the city, intending to create the Moss Rock Nature Preserve. The 680 single-family homes, 50,000 square feet of retail, and 50,000 square feet of office space are concentrated on the remaining 311-acre site. Before development of the Preserve, Hoover was characterized by sprawling conventional development and lacked a town center. The Preserve's future town center is planned to include 34 live/work units, 14 retail units, and two restaurants: at the heart of the community is the village green, an impressive eight-acre park with a town hall, a fitness center, a junior olympic swimming pool, and a kiddie pool. Residents have access to 15 acres of parks and seven miles of trails that connect to award-winning Hoover schools and the newly created Moss Rock preserve.

Clustering development at the Preserve in Hoover Alabama, enabled the creation of the 250-acre Moss Rock Nature Preserve.



PRJ-63491
02/25/16

USS REAL ESTATE

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Many communities employ techniques such as infill and brownfield development to transform unused, abandoned lots into vibrant, revenue-generating components of the community. Some create direct incentives for higher-density development. The city of Austin, Texas, for example, created a program that rewards developers for locating projects in the city's existing neighborhoods and downtown. Others award points for a variety of attributes, such as transit access, the redevelopment of empty lots, and an increase in pedestrian facilities. By employing standards for factors like open space, dense development, and impact on water quality, communities can facilitate good urban design that preserves natural resources.

Although a well-designed higher-density community offers residents a higher-quality environment, poorly planned sprawl does the opposite. Because low-density sprawl gobbles up so much land through large-lot zoning, it ends up destroying the very thing most people moved there for in the first place—the natural areas and farmland. It forces people to drive longer distances, increasing regional air quality problems. The average American man spends 81 minutes behind the wheel every day, while women average 63 minutes. And surveys show that the time spent driving has been consistently increasing every year.⁴⁶ The national road network, currently at 4 million miles according to the U.S. Department of Transportation, is still growing at an alarming rate, mainly for the purpose of connecting new low-density suburbs back to core communities. Along with the water and air pollution, construction of these highways perpetuates the cycle of sprawl, fragments wildlife habitats, and dries up a community's financial coffers.

Increasing density not only improves air and water quality and protects open space but also redirects investments to our existing towns and cities. It can revitalize existing communities and create more walkable neighborhoods with access to public transit and hiking and biking trails. Pedestrian-friendly higher-density developments offer general health benefits as well. Mixed land uses give people the option to walk and bike to work, shops, restaurants, and entertainment. The convenience of compact communities may help fight diseases related to obesity.⁴⁷ Higher-density communities are vital to preserving a healthy environment and fostering healthy lifestyles.

PRJ-63491
02/25/16

6 MYTH FACT

Higher-density development is unattractive and does not fit in a low-density community.

Attractive, well-designed, and well-maintained higher-density development attracts good residents and tenants and fits into existing communities.

Higher-density development comes in many forms. Some of the most attractive well-planned modern development is built at a high density. Across America, appealing higher-density mixed-use town centers have been wildly popular with the public. Lushly landscaped boulevards, fountains, and showcase architecture have created a sense of place in areas previously known only for faceless, uninteresting low-density development. The enduring appeal

PROFILE

Post Riverside

Atlanta is often called the poster child for suburban sprawl. However, it is also the home of Post Riverside, a revolutionary new mixed-use pedestrian-oriented community developed by Atlanta-based Post Properties, Inc., and located on the banks of the Chattahoochee River between Atlanta's bustling Buckhead and Vinings communities. As is the trend nationally, 65 percent of all vehicle trips in Atlanta are to run errands, not to commute to work. With offices, shops, and restaurants within walking distance of the apartments, Post Riverside residents depend on autos much less than their neighbors in lower-density areas. In addition, the community is connected to Atlanta's MARTA subway system and the Cobb County transit system. This award-winning 85-acre mixed-use development includes 25,000 square feet of retail space, 225,000 square feet of office space, and 535 apartments, all designed around a gracious town square. For many people, this amenity-rich, low-maintenance lifestyle better suits their needs than a traditional single-family home in a low-density neighborhood.



Post Riverside in Atlanta demonstrates that higher-density development can be attractive and successful in a community known for lower-density development.

PR-163491
02/25/16

26 | High-Density Development
MOD-63600, GPA-63599, ZON-63601 and DIR-63602

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and desirability of older and more gracious higher-density neighborhoods—Georgetown in Washington, D.C., Beacon Hill and Back Bay in Boston, and Lincoln Park in Chicago—attest to the fact that some of the more desirable neighborhoods in America historically have been of higher density than that found in typical outer suburbs.

This return to the design principles of the past is at the core of the new urbanist movement that took hold in the 1990s. The movement grew as many people came to miss the sense of community that was created by the mixed-density and mixed-use communities of the past. They realized that low-density subdivisions isolated their owners not only from pedestrian access to shops and offices but also from their neighbors. The growing sense of social alienation, highlighted in books like Robert Putnam’s *Bowling Alone*,⁴⁸ has led many back to the comfort of communities that are a reminder of the places where many of us grew up. These new communities combine the best design ideas of the past with the modern conveniences of today to provide residents with what has been missing from many sprawling areas—a sense of community.

Today’s developers, architects, and planners know that to attract customers and to secure zoning approvals and community acceptance, they must produce attractive and innovative properties that complement their surroundings. Design professionals are driven to produce projects that meet users’ demands, understand and respond to the context of a site, enhance its neighborhood, and are built to last.⁴⁹ In fact, attendance at a recent American Institute of Architects–sponsored conference on density far surpassed expectations, speaking to the interest among land use professionals in addressing the design issues associated with density.⁵⁰

It is plausible that the high level of citizens’ opposition to density may be based on an outdated notion of what higher-density development looks like. A University of North Carolina study revealed that when given a choice between two attractively designed communities, one higher density and the other low density, the majority preferred the higher-density option.⁵¹ Other visual preference surveys confirm that there is an almost universal negative reaction to the visual appearance of commercial strip sprawl and an almost universal positive reaction to traditional town-like communities of the past, communities that almost invariably included a mix of densities and uses.⁵²

PROFILE

The Plaza at the Arboretum

This award-winning mixed-use project in Santa Monica, California, developed by California-based Legacy Partners, achieves a density of 97.5 dwelling units per acre. The attractive seven-story building includes 10,000 square feet of retail space and 350 apartment units ranging from 612 to 1,555 square feet. The architecture firm Meeks and Partners used strong geometric forms to create a playful architectural character that fits nicely in the avant-garde Hollywood studio section of Santa Monica. The development includes a swimming pool, spa, fitness center, and clubhouse.



MEEKS AND PARTNERS PHOTOGRAPH BY STEVE HINDS

Higher-density developments like the Plaza at the Arboretum present opportunities to create outstanding award-winning architecture.

PRJ-63491
02/25/16

MOD-63600, GPA-63599, ZON-63601 and DIR-63602

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7 MYTH

No one in suburban areas wants higher-density development.

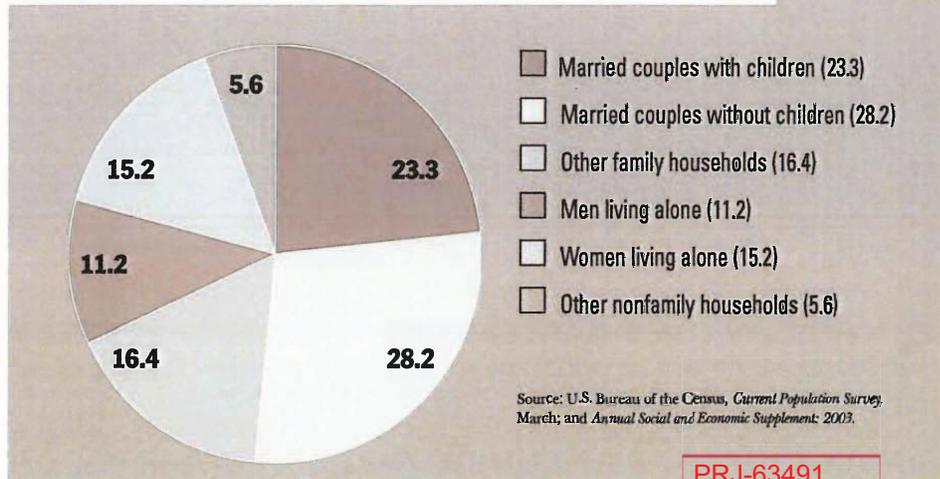
FACT

Our population is changing and becoming increasingly diverse. Many of these households now prefer higher-density housing, even in suburban locations.

When many of us think of the American Dream, we envision married couples with children living in single-family detached houses in the suburbs. The notion is that the only people who want to live in higher-density areas are those who cannot afford a traditional house with a back yard or who want to live in the middle of the city. Both perceptions are flawed.

This country's population is changing, and so are its real estate preferences. These lifestyle changes have significant implications for suburban development. For the first time, there are more single-person households (26.4 percent) than married-

HOUSEHOLDS BY TYPE: 2003 (PERCENTAGE OF TOTAL)



Source: U.S. Bureau of the Census, *Current Population Survey, March*; and *Annual Social and Economic Supplement: 2003*.

PRJ-63491

02/25/16

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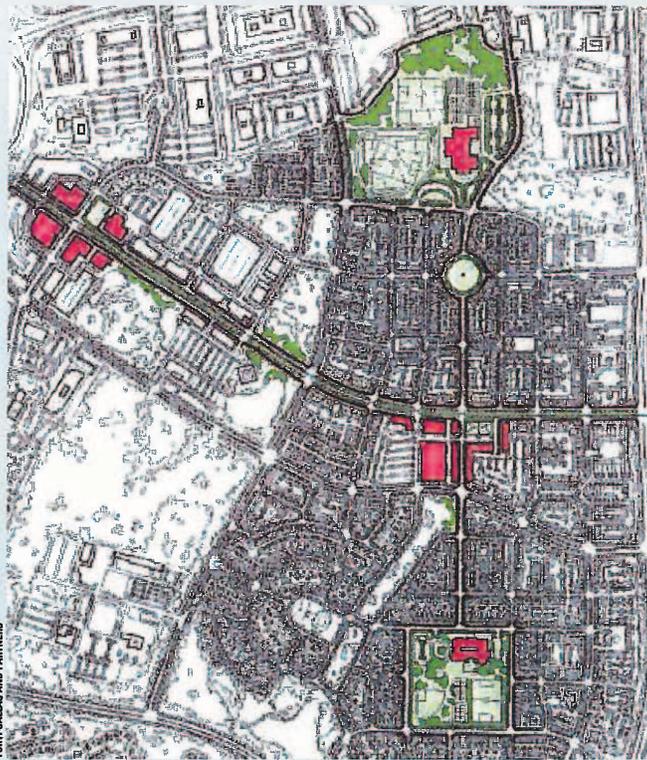
couple-with-children households (23.3 percent).⁵³ The groups growing the fastest, people in their mid-20s and empty nesters in their 50s, are the groups most likely to look for an alternative to low-density, single-family housing.⁵⁴

A growing number of Americans are redefining their American Dream. They are seeking a more convenient and vibrant lifestyle. And while some seek this lifestyle in cities, many others seek the same lifestyle in the suburbs. According to a 2002 study by the National Association of Home Builders, more than half the renters questioned said they wanted to live in the suburbs.⁵⁵ Moreover, a national survey of homebuyers' community preferences found that nearly three-quarters of all

PROFILE

King Farm

This 430-acre community is characterized by the historic architecture of the region but offers an assortment of modern conveniences as well. Developed by King Farm Associates, LLC, King Farm is located in Rockville, Maryland, five miles from the Washington, D.C., beltway, 15 miles from downtown D.C., and walking distance from the Shady Grove Metro station. The neighborhood was designed for pedestrians, but the King Farm shuttle makes getting around even easier. The shuttle runs a complimentary route between the King Farm Village Center, the Metro station, and the Irvington Center, a 90-acre commercial complex next to the Metro. In addition, two types of public bus service are available at King Farm. At the Village Center, 120,000 square feet of retail space is within walking distance from both residential and commercial development. The center also includes 47 loft apartments and a one-acre village green. Watkins Pond and Baileys Common are King Farm's two residential villages. They offer single-family homes, townhouses, condominiums, and luxury apartments intertwined with natural areas. The center of Watkins Pond is a 12-acre city park with tennis and basketball courts, a soccer and softball field, two playgrounds, several picnic areas, benches, and paths.



King Farm is a successful higher-density suburban community that integrates housing, retail shops, offices, and public transit.

PRJ-63491
02/25/16

MOD-63600, GPA-63599, ZON-63601 and DIR-63602

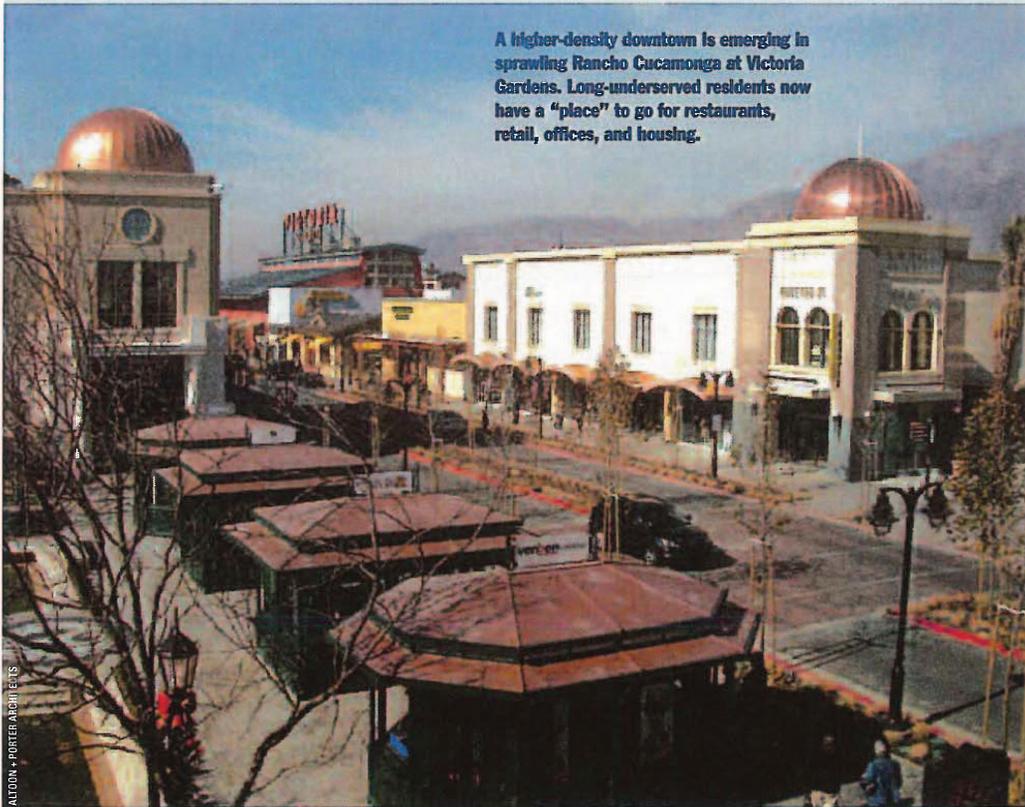
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PROFILE

Victoria Gardens

The city of Rancho Cucamonga, located roughly 60 miles east of Los Angeles in California's Inland Empire, has a rich agricultural history and, more recently, a history of low-density sprawl with no real city center. This situation is changing, however, with the opening of the first phases of a huge new mixed-use development known as Victoria Gardens. The development, designed by L.A.-based architects, Altoon + Porter, and being developed jointly by California-based developers Forest City California and the Lewis Investment Company, will create a vibrant higher-density downtown where none previously existed. Rapidly growing Rancho Cucamonga has been traditionally underserved by restaurants and entertainment options. The long-awaited addition of a "place" in the city has been well received by residents. The 147-acre development will eventually contain 1.3 million square feet of commercial and community space, including retail, entertainment, office, and civic uses with a cultural center and a library. Twenty acres of housing on site will allow people to live within walking distance of all the amenities of Rancho Cucamonga's new downtown.

A higher-density downtown is emerging in sprawling Rancho Cucamonga at Victoria Gardens. Long-underserved residents now have a "place" to go for restaurants, retail, offices, and housing.



ALTOON + PORTER ARCHITECTS

PRJ-63491
02/25/16

High Density Development
MOD-63600, GPA-63599, ZON-63601 and DIR-63602

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buyers prefer to live in a community where they can walk or bike to some destinations.⁵⁶ The 2001 American Housing Survey further reveals that respondents cited proximity to work more often than unit type as the leading factor in housing choice.⁵⁷ These surveys confirm that many people prefer the suburbs but want the amenities traditionally associated with cities, including living close to work.

With the continuing decentralization of cities and the rise of suburban communities with urban-like amenities, many people find that they can live and work in the suburbs with all the attributes of suburbia they desire without giving up walkability and convenience. A recent study confirms that in many regions, more office space is located in suburban locations than downtowns,⁵⁸ providing an opportunity for people to live near their jobs. Communities and developers that have recognized and responded to the dual trends of decentralized offices and a growing desire for a more convenient lifestyle have been rewarded. Well-placed mixed-use, higher-density developments in the suburbs are increasingly popular, creating a new sense of place.

Communities are being developed using the best concepts of traditional communities—smaller lots, a variety of housing types, front porches and sidewalks, shops and offices within walking distance, and public transit nearby. Communities like Celebration in Florida and King Farm in Maryland have been so popular with the homebuying public that past worries over whether the demand exists for them have been replaced by concerns about their rapid price appreciation, putting them out of the reach of all but the highest-income households. Today's real demographic and lifestyle changes are inspiring a return to traditional development styles that offer walkable, bikeable, and more dynamic communities that put residents closer to shops, offices, and parks.

PRJ-63491
02/25/16

MOD-63600, GPA-63599, ZON-63601 and DIR-63602

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8 MYTH 8 FACT

Higher-density housing is only for lower-income households.

People of all income groups choose higher-density housing.

Multifamily housing is not the housing of last resort for households unable to afford a single-family house. Condominiums, for instance, are often the most sought after and highly appreciating real estate in many urban markets. The luxury segment of the apartment market is also rapidly expanding. Most people are surprised to learn that 41 percent of renters say they rent by choice and not out of necessity, and households making more than \$50,000 a year have been the fastest-growing segment of the rental market for the past three years.⁵⁹ Multifamily housing throughout the world has historically been the housing of choice by the wealthiest individuals because of the access and convenience it provides. From Manhattan to Miami to San Francisco, higher-density housing has been prized for the amenity-rich lifestyle it can provide.

Higher-density development can be a viable housing choice for all income groups and people in all phases of their lives. Many financially secure baby boomers, who have seen their children leave the nest, have chosen to leave behind the yard maintenance and repairs required of a single-family house for the more carefree and convenient lifestyle multifamily housing provides. Interestingly, their children, the echo boomers, are entering the age where many will likely live in multifamily housing. Just starting careers, many are looking for the flexibility of apartment living to follow job opportunities. Their grandparents, likely on a fixed income, may also prefer or need to live in multifamily housing as physical limitations may have made living in a single-family house too challenging.

Providing balanced housing options to people of all income groups is important to a region's economic vitality. The availability of affordable multifamily housing helps attract and retain the workers needed to keep any economy thriving. In many American towns and cities, rapidly rising house prices are forcing working families to live farther away from their jobs. In fact, the lack of affordable housing is mentioned as the number one problem facing working families today.⁶⁰

PRJ-63491
02/25/16

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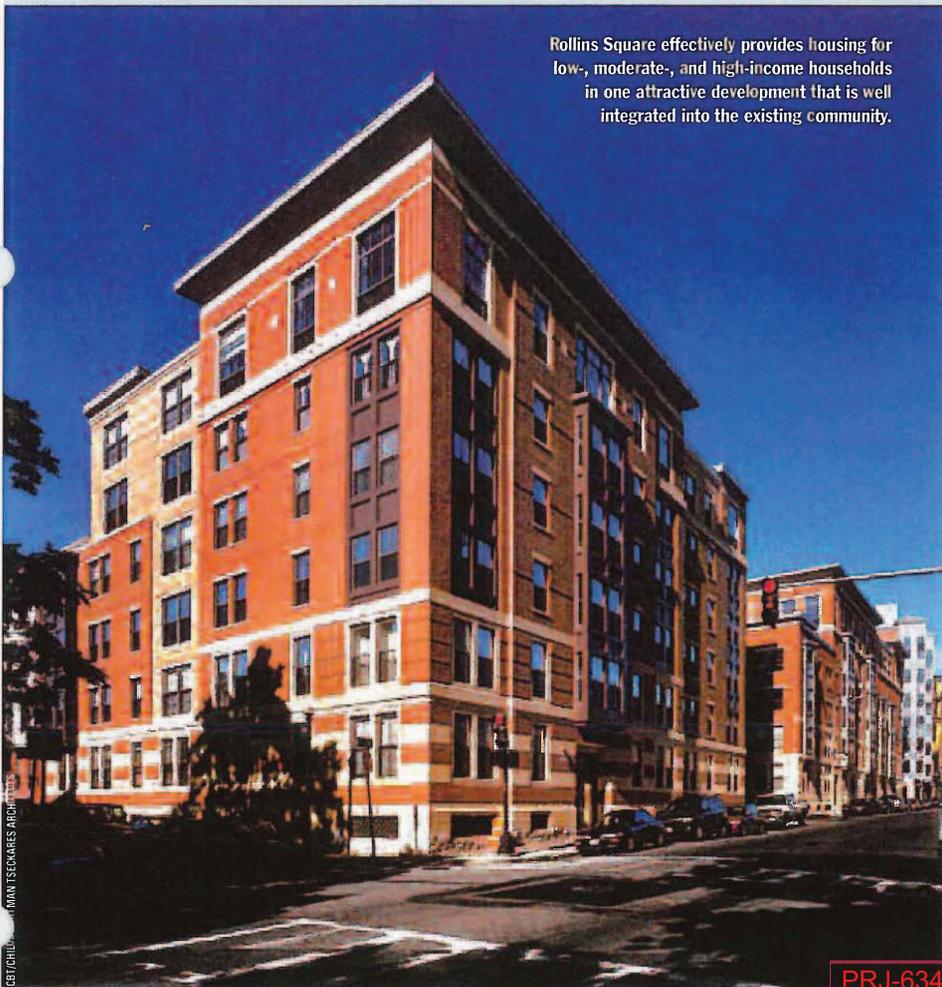
PROFILE

Rollins Square

Rollins Square, a mixed-use development in Boston's South End, is a truly mixed-income community that provides housing for a wide spectrum of people in all income brackets. Twenty percent of the overall units are reserved for people whose income is 30 to 60 percent of the Boston area median income (AMI), 40 percent are for-sale condominiums reserved for working households with incomes 80 to 120 percent of the AMI, and the remaining 40 percent are market-rate units sell-

ing for up to \$750,000. The residences occupy two city blocks and integrate seamlessly into the existing neighborhood. The varying heights and diverse exterior materials give the appearance that the development was constructed over time. Rollins Square was developed by the Planning Office for Urban Affairs, Inc., a nonprofit developer associated with the Archdiocese of Boston.

Rollins Square effectively provides housing for low-, moderate-, and high-income households in one attractive development that is well integrated into the existing community.



GETTY IMAGES / MANY SCENES ARCHITECTS

PRJ-63491
02/25/16

MOD-63600, GPA-63599, ZON-63601 and DIR-63602

Myth and Fact

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PROFILE

I'On

I'On is a 244-acre master-planned community along the deep-water marshes of Hobcraw Creek in Mount Pleasant, South Carolina. Just six miles east of Charleston, the community features 700 single-family homes, community facilities, and a small-scale commercial area. Vince Graham, principal with the I'On Company, is developing six residential neighborhoods connected by narrow streets, pedestrian corridors, and community spaces. An I'On Guild member, one of 18 builders selected for experience, talent, and financial strength, builds each individual home. The architecture is inspired by classic Lowcountry style with large balconies, deep front porches, and tall windows on even taller homes. Homes now sell for \$685,000 to \$1.7 million. Community facilities include I'On Square, I'On Club, the Creek Club, and the Mount Pleasant Amphitheater. Residents also enjoy easy access to the Cooper and Wando rivers, the Charleston harbor, and the Atlantic Ocean. One neighborhood boat ramp and four community docks are available for crabbing and fishing. Two miles of walking trails are available for residents; a five-acre pond, the Rookery, is a protected nesting site for wading birds. In addition, the public and private schools in Mount Pleasant are some of the best in the area.



I'ON COMPANY

Some home prices in the well-planned higher-density community of I'On are approaching \$2 million. The traditional neighborhood design combined with the community amenities made possible by higher densities have made the community one of the most desirable in the Charleston area.

As the problem of affordability worsens, workers on the lower end of the salary scale may move to more affordable cities, leaving a labor shortage in their wake. Such shortages make a region less desirable as an employment center. According to PricewaterhouseCoopers, access to a large and diverse labor pool is the most important factor in making corporate decisions on locations.⁶¹ Communities that do not provide housing for all income groups become less desirable corporate locations.

PRJ-63491
02/25/16

MOD-63600, GPA-63599, ZON-63601 and DIR-63602

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PRJ-63491
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PRJ-63491
02/25/16

**Higher-Density Development
Myth and Fact**

Richard Haughey

Some like sprawl and the traffic congestion it creates, yet proposals for increasing density in new and existing neighborhoods often are squashed by community fears of public housing, crime, and ugly high rises. *Higher-Density Development: Myth and Fact* dispels these negative connotations, by comparing the advantages and drawbacks of higher- and low-density development. The definition of higher-density development is relative to the community the development is in—it could be single-family homes on smaller lots, or townhouses and apartments in more populated areas. Eight widespread misconceptions about higher-density development are examined and dispelled with well-researched facts and examples of high-quality, compact developments.

Debunk these common myths about density:

- Higher-density development overburdens public schools and other public services and requires more infrastructure support systems.
- Higher-density developments lower property values in surrounding areas.
- Higher-density development creates more regional traffic congestion and parking problems than low-density development.
- Higher-density development leads to higher crime rates.

- Higher-density development is environmentally more destructive than low-density development.
- Higher-density development is unattractive and does not fit in a low-density community.
- No one in suburban areas wants higher-density development.
- Higher-density housing is only for lower-income households.

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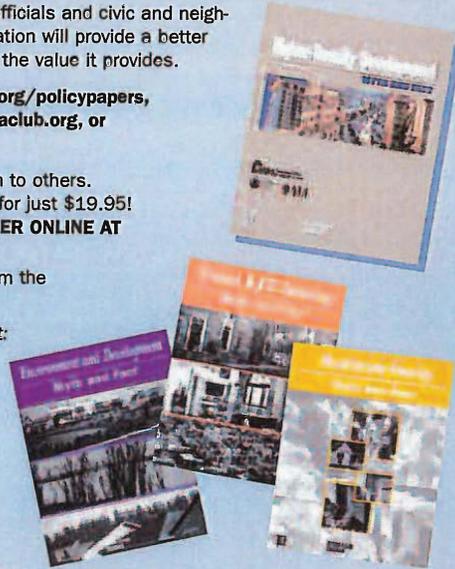
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02/25/16

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SERIES: Walkable Urbanism | Number 13 of 16
Washington Monthly

Article | November 2010

The Next Real Estate Boom

By: Patrick C. Doherty and Christopher B. Leinberger

What if there were a new economic engine for the United States that would put our people back to work without putting the government deeper in debt? What if that economic engine also improved our international competitiveness, reduced greenhouse gases, and made the American people healthier?

At a minimum, it would sound a lot better than any of the current offers on the table: stimulus from the liberals, austerity from the conservatives, and the president's less-than-convincing plan for a little stimulus, a little austerity, and a little bit of a clean-energy economy.

The potential for just such an economic renaissance is a lot more plausible than many would imagine. At the heart of this opportunity are the underappreciated implications of a massive demographic convergence. In short, the two largest demographic groups in the country, the baby boomers and their children—together comprising half the population—want homes and commercial space in neighborhoods that do not exist in anywhere near sufficient quantity. Fixing this market failure, unleashing this latent demand, and using it to put America back to work could be accomplished without resorting to debt-building stimulus or layoff-inducing austerity. At least for the moment, Washington has an opportunity to speed up private investment for public good and launch what could be a period of long-lasting prosperity. It is a market-driven way to make the economic recovery sustainable while addressing many of the most serious problems of our time: the health care crisis, climate change, over-reliance on oil from countries with terrorist ties, and an overextended military.

Real estate has caused two of the last three recessions, including the Great Recession we've just gone through. That is because real estate (housing, commercial, and industrial) and the infrastructure that supports real estate (transportation, sewer, electricity, and so on) represent 35 percent of the economy's asset base. When real estate crashes, the economy goes into a tailspin. To speed up the economic recovery now slowly underway, the real estate sector must

PRJ-63491
02/25/16

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MOD-63600, GPA-63599, ZON-63601 and DIR-63602

ROR025892

25978

get back into the game, just as it played a central role in the economic recoveries of past recessions. (Real estate also kept the high-tech recession in the early 2000s from being as serious as it might have been.) The United States will be condemned to high unemployment and sluggish growth if 35 percent of our asset base is not engaged. And hundreds of billions of dollars in potential investment capital is on the sidelines, waiting for the right market signals to be deployed.

We're unlikely, however, to see a real estate recovery based on a continuation of the type of development that has driven the industry for the past few generations: low-density, car-dependent suburbs growing out of cornfields at the edge of metropolitan areas. That's because there is now a massive oversupply of such suburban fringe development, brought on by decades of policy favoring it—including heavy government subsidies for extending roads, sewers, and utilities into undeveloped land. Houses on the exurban fringe of several large metro areas have typically lost more than twice as much value as metro areas as a whole since the mid-decade peak. Many of those homes are now priced below the cost of the materials that went into building them, which means that their owners have no financial incentive to invest in their upkeep. Under such conditions, whole neighborhoods swiftly decline and turn into slums. This happened in many inner-city neighborhoods in the 1960s, and we're seeing evidence of it in many exurban neighborhoods today. The Los Angeles Times reports that in one gated community in Hemet, east of L.A., McMansions with granite countertops and vaulted ceilings are being rented to poor families on Section 8 vouchers; according to the Washington Examiner, similar homes in Germantown, Maryland, outside Washington, D.C., are being converted to boarding houses.

Many hope that when the economy recovers, demand will pick up, inventories of empty homes will be whittled down, and the traditional suburban development machine will lumber back to life. But don't bet on it. Demand for standard-issue suburban housing is going down, not up, a trend that was apparent even before the crash. In 2006, Arthur C. Nelson, now at the University of Utah, estimated in the Journal of the American Planning Association that there will be 22 million unwanted large-lot suburban homes by 2025.

Meanwhile, the Great Recession has highlighted a fundamental change in what consumers do want: homes in central cities and closer-in suburbs where one can walk to stores and mass transit. Such "walkable urban" real estate has experienced less than half the average decline in price from the housing peak. Ten years ago, the highest property values per square foot in the Washington, D.C., metro area were in car-dependent suburbs like Great Falls, Virginia. Today, walkable city neighborhoods like Dupont Circle command the highest per-square-foot

PRJ-63491
02/25/16

<http://www.brookings.edu/research/articles/2010/11/real-estate-joinberger>

MOD-63600, GPA-63599, ZON-63601 and DIR-63602

ROR025893

25979

prices, followed by dense suburban neighborhoods near subway stops in places like Bethesda, Maryland, and Arlington, Virginia. Similarly, in Denver, property values in the high-end car-dependent suburb of Highland Ranch are now lower than those in the redeveloped LoDo neighborhood near downtown. These trend lines have been evident in many cities for a number of years; at some point during the last decade, the lines crossed. The last time the lines crossed was in the 1960s—and they were heading the opposite direction.

There are some obvious reasons for the growing demand for walkable neighborhoods: ever-worsening traffic congestion, memories of the 2008 spike in gasoline prices, and the fact that many cities have become more attractive places to live thanks to falling crime rates and the replacement of heavy industries with cleaner, higher-end service and professional economies.

But the biggest factor, one that will quickly pick up speed in the next few years, is demographic. The baby boomers and their children, the millennial generation, are looking for places to live and work that reflect their current desires and life needs. Boomers are downsizing as their children leave home while the millennials, or generation Y, are setting out on their careers with far different housing needs and preferences. Both of these huge demographic groups want something that the U.S. housing market is not currently providing: small one- to three-bedroom homes in walkable, transit-oriented, economically dynamic, and job-rich neighborhoods.

The baby boom generation, defined as those born between 1946 and 1964, remains the largest demographic bloc in the United States. At approximately 77 million Americans, they are fully one-quarter of the population. With the leading edge of the boomers now approaching sixty-five years old, the group is finding that their suburban houses are too big. Their child-rearing days are ending, and all those empty rooms have to be heated, cooled, and cleaned, and the unused backyard maintained. Suburban houses can be socially isolating, especially as aging eyes and slower reflexes make driving everywhere less comfortable. Freedom for many in this generation means living in walkable, accessible communities with convenient transit linkages and good public services like libraries, cultural activities, and health care. Some boomers are drawn to cities. Others prefer to stay in the suburbs but want to trade in their large-lot single-family detached homes on cul-de-sacs for smaller-lot single-family homes, townhouses, and condos in or near burgeoning suburban town centers.

Generation Y has a different story. The second-largest generation in the country, born between 1977 and 1994 and numbering 76 million, millennials are leaving the nest. They may sometimes fall back into the nest, but eventually they find a place of their own for the first time. Following the lead of their older cousins, the much smaller generation X (those born between

PRJ-63491
02/25/16

1965 and 1976), a high proportion of millennials have a taste for vibrant, compact, and walkable communities full of economic, social, and recreational opportunities. Their aspirations have been informed by *Friends* and *Sex in the City*, shows set in walkable urban places, as opposed to their parents' mid-century imagery of *Leave It to Beaver* and *Brady Bunch*, set in the drivable suburbs. Not surprisingly, fully 77 percent of millennials plan to live in America's urban cores. The largest group of millennials began graduating from college in 2009, and if this group rents for the typical three years, from 2013 to 2018 there will be more aspiring first-time homebuyers in the American marketplace than ever before—and only half say they will be looking for drivable suburban homes. Reinforcing that trend, housing industry experts, like Todd Zimmerman of Zimmerman/Volk Associates, believe that this generation is more likely to plant roots in walkable urban areas and force local government to fix urban school districts rather than flee to the burbs for their schools.

The convergence of these two trends is the biggest demographic event since the baby boom itself. The first wave of boomers will be sixty-five in 2011. The largest number of millennials reaches age twenty-two in 2012. With the last of the boomers hitting sixty-five in 2029, this convergence is set to last decades. In addition to the generational convergence, the Census Bureau estimates that America is going to grow from 310 million people today to 440 million by 2050.

An epic amount of money will pour into the real estate market as a result of population growth and demographic confluence. To be sure, unemployment and stagnant wages have eroded people's buying power. Boomers have suffered steep declines in the value of their current homes and 401(k)s, and young people are leaving college with ever-larger student loan debts.

But Americans of all ages have saved and paid off debts since the recession began, and average household balance sheets should be significantly healthier five years from now. In addition, 85 percent of the new households formed between now and 2025 will be single individuals or couples with no children at home; unburdened by child-rearing expenses, they will have more income available for housing (and less desire to spend it tending big backyards).

Most importantly, the very act of moving to more walkable neighborhoods will free families from the expense of buying, fueling, and maintaining the two or more cars they typically need to get around in auto-dependent suburbs. Households in drivable suburban neighborhoods devote on average 24 percent of their income to transportation; those in walkable neighborhoods spend about 12 percent. The difference is equal to half of what a typical household spends on health care—nationally, that amounts to \$700 billion a year in total.

PRJ-63491
02/25/16

according to Scott Bernstein of the Center for Neighborhood Technology. Put another way, dropping one car out of the typical household budget can allow that family to afford a \$100,000 larger mortgage.

The burgeoning demand for homes in walkable communities has the potential to reshape the American landscape and rejuvenate its economy as profoundly as the wave of suburbanization after World War II did. If anything, today's opportunity is larger. The returning veterans and their spouses represented approximately 20 percent of the American population at that time; the current demographic convergence—77 million boomers plus 76 million millennials—comprises nearly 50 percent.

In the postwar years, America pushed its built environment outward, beyond the central cities, creating millions of new construction jobs and new markets for cars and appliances—a virtuous cycle of commerce that helped power American prosperity for decades (until, of course, it went too far, leading to the oversupply of exurban development that is acting as deadweight on the current recovery). The coming demographic convergence will push construction inward, accelerating the rehabilitation of cities and forcing existing car-dependent suburbs to develop more compact, walkable, and transit-friendly neighborhoods if they want to keep property values up and attract tomorrow's homebuyers. All this rebuilding could spur millions of new construction jobs. But more importantly, if done right, with "smart growth" zoning codes that reward energy efficiency, it would create new markets for power-conserving materials and appliances, providing American designers and manufacturers with experience producing the kinds of green products world markets will increasingly want.

In addition to fueling long-term economic growth, the new demand for walkable neighborhoods could provide other benefits. One of the biggest drivers of rising health care costs is the expansion of chronic diseases like obesity, diabetes, and heart disease—conditions exacerbated by the sedentary lifestyles of our car-dependent age. All would be substantially reduced if Americans move into higher-density, transit-friendly neighborhoods in which more walking is built into their daily routine.

The potential environmental benefits are equally profound. A study conducted by the National Resources Defense Council concluded that simply conforming new construction to smart growth standards would reduce carbon emissions 10 percent within ten years, more than half the target set by the president and the stalled climate legislation. Similarly, the U.S. Green Building Council estimates that new sustainable developments could reduce water consumption by 40 percent, energy use by up to 50 percent, and solid waste by 70 percent.

PRJ-63491
02/25/16

We can reap these economic, health, and environmental benefits if the real estate market is allowed to follow the demand preferences of consumers. But that's easier said than done. Markets don't exist in a vacuum. They operate within rules and incentives set by governments. The rules and incentives that guide today's real estate market were designed, for the most part, more than a half century ago to fit the demands of the postwar-era Americans who were looking for new homes with yards outside overcrowded cities in which to raise their families. For many years the government-insured mortgages provided to millions of GIs were regulated in such a way that they could only be used to buy newly constructed homes, not to purchase or rehab existing homes—an incentive that strongly biased growth away from cities and toward the suburbs. Cheap rural land outside cities became accessible and valuable to developers thanks to the building of the interstate highway system, 90 percent funded by the federal government. Using federal matching grants, suburban municipalities extended water, sewer, and electric lines to new subdivisions, charging developers and homeowners a fraction of the real costs of those extensions. Municipalities also crafted zoning codes, often in response to federal regulations that essentially mandated low-density development.

Today, even though consumer preferences have changed, most of the old rules and subsidies remain in place. For instance, federal transportation funding formulas, combined with the old-school thinking of many state departments of transportation, continue to favor the building of new roads and widening of highways—infrastructure that supports low-density, car-dependent development—over public transit systems that are the foundation for most compact, walkable neighborhoods. When developers do propose to build denser projects, with narrower streets and apartments above retail space, they often run up against zoning codes that make such building illegal. Consequently, few compact, walkable neighborhoods have been built relative to demand, and real estate prices in them have often been bid up to astronomical heights. This gives the impression that such neighborhoods are only popular with the affluent, when in fact millions of middle-class Americans would likely jump at the opportunity to live in them.

To meet this broad new demand, however, requires that entire metropolitan regions work together to chart a common vision for their communities. When that happens, all kinds of Americans, and not just coastal elites, choose walkable, transit-based growth.

Consider the recent experience of Utah, a state that voted 63 percent for John McCain and Sarah Palin. In 1997, in anticipation of the 2002 Winter Olympics in Salt Lake City, a coalition of local CEOs, elected leaders, developers, farmers' associations, conservation advocates, and urban planners put together a process of public meetings to get citizens involved in developing a strategy to accommodate greater Salt Lake City's fast-paced growth in a fiscally

PRJ-63491
02/25/16

and environmentally sustainable way. That process, dubbed “Envision Utah,” led to a blueprint for development in the four-county region. The plan largely rejects further suburban sprawl in favor of a “quality growth strategy” of dense walkable neighborhoods built around transit stops.

The first step was the building of a seventeen-mile, twenty-three-station light rail line in Salt Lake City called TRAX. The line was highly controversial; many predicted it would be an underutilized boondoggle. But when the first phase opened in 1999, TRAX proved an immediate hit with the public—eventually some trains became so crowded with riders that their doors couldn’t close. In 2000 and 2006, voters approved tax increases to expand the system, including increased reach to several outlying suburbs, twenty-six miles of new light rail track, forty additional station stops, and eighty-eight miles of heavier commuter rail, reaching as far as Provo. Meanwhile, mixed residential-commercial developments have been constructed around existing stations in places like the formerly industrial suburb of Murray City.

Locally financed transit expansions are also underway in such wide-ranging places as St. Louis, Denver, Los Angeles, Montgomery, Alabama, and Broward County, Florida. From 2004 to 2009, 67 percent of light rail ballot measures passed. In 2008, the election year defined by the financial crisis, 87 percent of transit measures passed. In Seattle, a 2008 measure saw sponsors actually eliminate road funding so that the thirty-four-mile extension of the light rail system would pass.

The public, then, has made its desire for transit-oriented growth quite clear, and governments at the local and metropolitan levels have begun to respond. At the federal level, however, the policy machinery remains on autopilot, supporting a sprawl-based growth model that is beyond broken. What we need to do should be obvious: replace old federal rules and incentives that hamper the market’s ability to meet changing needs and preferences for housing with new ones that don’t, thus helping to rejuvenate the American economy. But these new policies will have to be produced in a political environment that, unlike in the postwar years, is hostile to government actions that add considerably to the federal deficit. And they need to be written quickly: the peak of the convergence is only three years away, and the economy needs a sustainable base from which to grow more quickly now.

Throughout human history, transportation has determined the pattern of real estate development, and so the place to begin is federal transportation policy. Fortunately, next year Congress will probably reauthorize the giant transportation law that determines most federal infrastructure spending—which, tellingly enough, is still commonly referred to in Washington as “the highway bill.” This will provide a golden opportunity to change federal policy in several fundamental ways. First, the biases in federal matching grants that favor roads and highways

PRJ-63491
02/25/16

over every other type of infrastructure (sidewalks, bike paths, mass transit, and so on) must end. Second, the grants should be “scored” based on their economic, environmental, and social equity impacts—in particular, on the degree to which proposed transportation projects minimize travel times and distances for residents and enable compact, walkable, energy-efficient, and affordable development. Third, metro areas should be required, and given funding, to do what greater Salt Lake City did: create a blueprint for future growth. Those blueprints should then help guide which specific infrastructure projects get federal funding. In effect, this will shift the power to shape growth patterns away from congressional appropriators and state departments of transportation and to local citizens and local elected officials. And it will help ensure that actual consumer demand drives the process, rather than the current combination of antiquated federal funding formulas, congressional earmarks, and offstage machinations of conventional developers.

Many liberals might want Washington to cover most of the costs of this new infrastructure. That’s unlikely to happen in the current political and fiscal environment. Nor, frankly, is it necessary, or even healthy. Instead, scarce federal dollars should be used to attract private dollars, of which there are plenty. The Investment Company Institute reports that institutional investors are keeping a relatively stable \$1.8 trillion in money market funds because money managers see no good long-term investment vehicles. A similar amount is sitting in the coffers of non-financial corporations.

The Obama administration has proposed one way to tap some of these private dollars: create an “infrastructure bank” that would leverage several private dollars for every federal dollar invested to build a project. In return, the bank and private investors would receive, say, a dedicated locally raised future tax revenue source.

Another approach would be to revive a practice from the past. A hundred years ago, virtually every city of 5,000 or more had an extensive network of streetcars. These systems were typically not publicly owned. Instead, real estate developers, often in partnership with electric utilities, built and ran them, even paying municipal governments to rent the right-of-way. The developers made their money not from fares, which barely covered operations, but from the increased land values that the trolley extensions made possible. There’s no reason why similar deals can’t be negotiated today to fund various kinds of mass transit. In fact, the process has already begun in a few places. Developers are helping to pay for the extension of the Washington, D.C., metro rail to Dulles airport, while Microsoft cofounder Paul Allen’s real estate company and other property owners participated in the funding of the streetcar to his

PRJ-63491
02/25/16

substantial property holdings just north of downtown Seattle. The federal government can help make such arrangements much more common by offering partial guarantees of the debt floated to build transit infrastructure.

Another way Washington can encourage walkable neighborhoods is through reforms of Fannie Mae and Freddie Mac. These two government-sponsored mortgage guarantors and underwriters went bankrupt and were taken over by the U.S. government—in large part because they overinvested in homes on the suburban fringe. But in recent years Fannie Mae has been experimenting with an interesting new product: “location efficient mortgages.” Instead of relying solely on credit score and income to determine whether a borrower qualifies for a mortgage, these loans use electronic map systems to take into account how much homeowners will have to pay for transportation. Research by Scott Bernstein of the Center for Neighborhood Technology suggests that location efficient mortgages may have lower default rates than conventional Fannie Mae loans. If that finding proves true, then it makes sense to expand the program, and to apply the same concept to household energy savings: Fannie, Freddie, and HUD’s Federal Housing Administration should factor in the savings from more energy-efficient homes and retrofits. And all these products should be available for more types of construction than just the single-family detached house.

In the past, big shifts in real estate patterns, from suburbanization to gentrification, have often made the lives of the poor considerably worse. To make sure that doesn’t happen as we move toward more walkable communities, federal action will also be needed. The Obama administration took a first step earlier this year by announcing that location efficiency will be a criterion for \$3.25 billion in competitive HUD housing grants. That means that at least some walkable developments will be built to include housing for lower-income families, and more can be done along these lines using existing federal housing programs such as the Low-Income Housing Tax Credit.

But the truth is that federal housing policy can make only a modest dent in the affordability problem. As we’ve seen, what really drives development is transportation policy, and so the real lever of change is, again, the upcoming transportation bill. The bill should offer state and local governments a clear choice: if they want federal dollars for light rail and other transit systems, they must ensure that citizens at all income levels reap the benefits. That means changing local zoning codes to mandate that a portion of the housing in transit-oriented developments—say, 15 percent—be reserved for lower-income families. It also means that local jurisdictions need to remove ordinances that act as barriers to affordable housing—an

PRJ-63491
02/25/16

idea long championed by many conservatives, including the late Jack Kemp. For instance, empty nesters ought to have the right to rent out unused bedrooms or turn part of their homes into separate rental units. Doing so is illegal in most municipalities today.

Ultimately, the biggest barrier to affordability is insufficient supply: homes in walkable, transit-oriented neighborhoods cost too much because there are not enough of them to satisfy the growing market demand. What's needed, then, is a supply-side solution: build more such neighborhoods.

Can a set of policies like these ever get through Congress? After all, Republicans have long been ideologically hostile to mass transit. With their base now predominantly in exurban and rural America, most GOP lawmakers will look with skepticism, even disdain, at proposals to use government in ways that benefit cities and closer-in suburbs that tend to elect Democrats. And many Americans who live in rural or exurban areas feel the scorn that too many educated urbanites express for their lifestyle, and reflect that scorn right back.

Yet, as Utah shows, conservative Americans can rally behind mass transit when all the advantages are pointed out and the hidden costs of sprawl made clear. The threats to family life posed by long commutes and auto dependency are a building issue among evangelical Christians. Conservatives are often among the most acute critics of federal highway subsidies and the way they insulate consumers from the real cost of driving. The late Paul Weyrich, cofounder of the Heritage Foundation, served on Amtrak's board and was an outspoken champion of passenger rail. As William Lind recently argued in the *American Conservative* magazine, it was hardly a triumph of free enterprise that America's convenient and affordable streetcar and passenger rail systems, most of them privately owned, were put out of business by government-subsidized and -owned highways.

In the wake of the Great Recession there is also another huge pocketbook force at work: however they might lean ideologically, the best hope suburbanites have for reversing their depressed home values is for mass transit lines to be extended in their communities. Though not every suburb can be saved in this way, for many it represents the most practical long-term solution to their dilemma.

Ultimately, the strongest argument for these policies—one conservatives and liberals ought to be able to agree on—is that they would allow the moribund real estate market to function again, and in so doing would give the economy a dose of healthy growth. Indeed, assuming that a decisive package like the one above is passed, the private sector, awash in capital, may

PRJ-63491
02/25/16

anticipate the demand about to be unleashed in our markets and start investing in real estate again. That is what happened in downtown Portland, Oregon, when a proposed \$50 million streetcar led to \$3.5 billion of private-sector development, much of it before the streetcar was built. America will be back in business. And good business is good politics.

But leading the transition to sustainability is also a strategic imperative for the United States. China and India need to figure out how to accommodate 700 million of their countrymen who will leave the villages and enter the cities over the next forty years. That's more than twice the total American population. China is already building at a pace that will allow it to have 221 cities with more than 1 million residents—the U.S. has nine. The competition for energy and raw materials like copper, lumber, and steel under a business-as-usual scenario is extraordinary and will result only in increased levels of strategic conflict in the decades ahead, as recent congressional hearings on “strategic minerals” attests. By making a decisive shift and embracing sustainable communities, innovative American firms will have the domestic markets they need to develop and deliver the super-efficient products and services that will keep America secure and, through increased exports, help build our economy while reducing our trade imbalance.

Admittedly, the road to sustainability only begins with how we build and rebuild our communities. In addition to the ideas discussed here, there is much more we need to do to address the energy and material intensity of our economy in ways that will lead to better jobs, higher wages, reduced deficits, and greater national security. But at a time when the American people need a plan for long-term prosperity, and because real estate absorbs so much of our wealth, it is essential that we focus on pushing on the door unlocked by our demographic inheritance: the two largest population groups, half of our population, want communities that the market is not delivering due to out-of-date subsidies and policies.

The bottom line is this: despite the protests of orthodox adherents to liberal and conservative fiscal policy, it is now possible to unleash latent private-sector demand by implementing reforms that will end our subsidies to sprawl and focus our nation on sustainability. Neither stimulus nor austerity, this approach would provide a new economic engine for America that can set us on a secure and prosperous path for years to come.

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PRJ-63491
02/25/16

<http://www.brookings.edu/research/articles/2010/11/real-estate-leinberger>

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EXHIBIT "N"
PECCOLE RANCH MASTER PLAN
GOLF COURSES WITHIN 4.5 MILE RADIUS



PRJ-63491
02/25/16

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**ECONOMIC & FISCAL
BENEFITS STUDY
2016 PECCOLE RANCH MASTER PLAN**

FEBRUARY 2016

Prepared by:



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02/25/16

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Financial Advisory
Gaming & Hospitality
Public Policy Research
Real Estate Advisory
Regional & Urban Economics

February 25, 2016

Mr. Frank Pankratz
ForeStars Ltd., LLC
9755 West Charleston
Las Vegas, NV. 89117

Re: *Economic & Fiscal Benefits Study ("the Study"): 2016 Peccole Ranch Master Plan*

Dear Mr. Pankratz:

RCG Economics LLC ("RCG") is pleased to submit this Economic & Fiscal Benefits Study ("the Study") to Fore Stars Ltd., LLC ("the Client") relative to assessing the benefits of a set of proposed attached and detached residential developments ("the Project") planned by the Client.

The Study represents an analysis of the estimated and hypothetical economic, and a portion of the public fiscal, benefits of the Project. These benefits include, but are not limited to, increases in output (gross sales/spending), employment and wages/labor income, as well as retail sales and use taxes resulting from the construction of the Projects. The specific projects included in our analysis were provided to RCG by the Client.

Our analysis of the Project's direct benefits on the economy is also based upon information provided by the Client, as well as data provided by various state and local government agencies pertaining to the potential benefits noted above. Estimates of indirect and induced benefits were prepared by RCG employing the widely used and widely accepted IMPLAN (Impact Analysis for PLANing) economic benefits model. Our general fiscal analysis is based on Nevada Revised Statutes, data from the U.S. Bureau of Labor Statistics and municipal tax information and formulas.

The Study is intended for the sole use of the Client in its negotiations with the City of Las Vegas. Publication of the Study or any information contained therein, in any manner, must explicitly indicate that it was prepared by RCG.

This Study is comprised of the following sections:

- A. Economic Benefits Analysis ("EBA")
 - 1. Direct Project Benefits
 - Overview
 - Construction Benefits
 - 2. Indirect & Induced Project Benefits
 - Introduction
 - Output/Total Expenditure Benefits
 - Employment Benefits
 - Income Benefits
 - Total Benefits

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PRJ-63491
02/25/16

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B. Fiscal Benefits Analysis ("FBA")
1. Retail Sales and Use Tax Estimation Methodology & Estimates

Standard Assumptions

This work scope was performed according to the "*Standard Assumptions & Limiting Conditions*" detailed in Attachment 1 to this letter. Attachment 2 addresses the key modeling assumptions of the EBA.

Use & Nature of Report & Methodologies

The distribution of the Study is limited to the Client. If the Client intends to reproduce and distribute the Study, it must be reproduced in its entirety. If it intends to include the Study in a document used for the offering of securities, the Client agrees: (1) to provide RCG with a representation letter; (2) that legal counsel will have advised it before the offering is made; (3) that the offering document complies with all applicable local jurisdictions and regional agencies, State of Nevada and federal legal requirements; and (4) that no reference will be made to our name in any promotional or offering materials without first furnishing us a draft of the materials and then obtaining our written consent.

The results of RCG's services under this engagement are the property of the Client. Copies of all documents including writings and computer or machine-readable data, which describe or relate to the services performed pursuant to this consulting assignment, or the results thereof, are the property of the Client and will be provided upon request. However, the Client will not provide RCG's Inventions and Works to any third party or use the same for the benefit of any third party, except with the prior written consent of RCG.

The Study is in the form of a "letter-report", along with any appropriate tables, graphs and maps. RCG is not responsible for statements or interpretations made by the Client relating to the Study.

All ideas, developments, computer models, methodologies, innovations, inventions and copyrightable work (hereinafter "Inventions and Works"), which RCG conceived and were used during the period of the Study, and which either (a) are within the scope of RCG's businesses or investigations, or (b) are supported by the use of materials, facilities or information paid for or provided by RCG are the exclusive property of RCG. In this regard, the Client agrees to credit RCG for its work.

If you have any questions, please do not hesitate to contact us at your convenience by phone at 702-967-3188 ext. 401 or by email at jrestrepo@rcg1.com.

Regards,



RCG Economics LLC

Attachments (2)

PRJ-63491
02/25/16

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Attachment 1
Standard Assumptions & Limiting Conditions

1. RCG Economics, LLC ("RCG") has prepared, from third-party information collected by RCG, as well as our internal econometric models and databases, the Study, as it relates on the potential economic and fiscal benefits associated with the Project.
2. The Client is responsible for representations about its plans and expectations, and for disclosure of significant information that might affect the ultimate realization of the analyses results.
3. The results of RCG's analyses apply only to the effective date of the Study. The success of the Client's plans will be affected by many related and unrelated economic conditions within a local, regional, national and/or world context. We assume no liability for an unforeseen change in the economy. Accordingly, we have no responsibility to update the Study for events and circumstances occurring after the date of the Study.
4. The Study is based on historical and projected economic benchmark information. Thus, variations in the future could be material and have an impact on the Study conclusions. Even if the Study's hypothetical assumptions were to occur, there will usually be differences between the estimated and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. These could include major changes in economic and market conditions; performing arts center benchmarks; significant increases or decreases in mortgage interest rates and/or terms or availability of financing altogether; property assessment and/or major revisions in current state and/or federal tax or regulatory laws.
5. If the Study is reproduced by the Client, it must be reproduced in its entirety.
6. RCG makes no representation or warranty as to the accuracy or completeness of the third party information contained in the Study, and shall have no liability for any representations (expressed or implied) contained in, or for any omissions from, our materials.
7. The working papers for this consulting assignment will be retained in RCG's files and will be made available for your reference. We will be available to support the analyses, as required.
8. If needed, all maps, plats, site plans or photographs that are incorporated into the Study are for illustrative purposes only, but are not guaranteed to be exact. Dimensions and descriptions are based on public records and/or information furnished by others and are not meant to be used as a reference in legal matters of survey.
9. The Project's construction was assumed to be implemented by competent management, and that site ownership will be in responsible hands. The Study assumes both responsible ownership and competent management unless noted otherwise. Any variance from this assumption could have a significant effect on the construction of the Projects.
10. Unless otherwise stated in the Study, no efforts were made to determine the possible effect, if any, on the Project's development of future Federal, State or local legislation, including any environmental or ecological matters or interpretations thereof.
11. We did not perform an audit, review or examination, or any other attest function (as defined by the AICPA) regarding any of the third-party historical market, industry and economic benchmarks or any other information used or included in the Study; therefore, RCG does not

PRJ-63491
02/25/16

MOD-63600, GPA-63599, ZON-63601 and DIR-63602

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Mr. Frank Pankratz
February 25, 2016
Page 4

express any opinion or any other form of assurance with regard to the same, in the context of the Study.

PRJ-63491
02/25/16

MOD-63600, GPA-63599, ZON-63601 and DIR-63602

ROR025909

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ATTACHMENT 2 KEY ASSUMPTIONS OF IMPLAN & INPUT-OUTPUT ANALYSIS

Input-output analysis is a means of examining relationships within an economy, both between businesses and between businesses and final consumers. It captures all monetary market transactions for consumption in a given time period. The resulting mathematical formula allows for examinations of the effects of a change in one or several economic activities on an entire economy (impact analysis).

IMPLAN expands upon the traditional I-O approach to also include inter-institutional¹ transfers and thus can more accurately be described as a SAM model, though the terms I-O and SAM are often used interchangeably. Although IMPLAN V3 provides a framework to conduct an analysis of economic impacts, each stage of an analysis should be carefully scrutinized to make sure it is logical. Procedures and assumptions need to be validated. Please review IMPLAN and Input-Output analysis' assumptions.

Constant Return Scale

This means that the same quantity of inputs is needed per unit of output, regardless of the level of production. In other words, if output increases by 10%, input requirements will also increase by 10%.

No Supply Constraints

I-O assumes there are no restrictions to raw materials and assumes there is enough to produce an unlimited product. IMPLAN cannot tell if values are unreasonable. The user will need to decide whether this is a reasonable assumption for their study area and analysis, especially when dealing with large-scale impacts.

Fixed Commodity Input Structure

This structure assumes that changes in the economy will affect the industry's output but not the mix of commodities and services it requires to make its products. In other words, there is no input substitution in response to a change in output.

Industry Technology Assumption

An industry will always produce the same mix of commodities regardless of the level of production. In other words, an industry will not increase the output of one product without proportionately increasing the output of all its other products.

¹ In IMPLAN, institutions include Households (broken down into nine income categories), Government Institutions, Enterprises (basically corporate profits), Capital, and Inventory.

PRJ-63491
02/25/16

MOD-63600, GPA-63599, ZON-63601 and DIR-63602

ROR025910

25996

Commodity Technology Assumption

The industry technology assumption comes into play when data is collected on an industry-by-commodity basis and then converted to industry-by-industry matrices. It assumes that an industry uses the same technology to produce each of its products. In other words, an industry has a primary or main product and all other products are byproducts of the primary product. The production function is a weighted average of the inputs required for the production of the primary product and each of the by-products.

Model is Static

No price changes are built in. The underlying data and relationships are not affected by impact runs. The relationships for a given year do not change unless another data year is purchased.”

PRJ-63491
02/25/16

MOD-63600, GPA-63599, ZON-63601 and DIR-63602

ROR025911

25997

TABLE OF CONTENTS

I. EXECUTIVE SUMMARY I-1

 ECONOMIC BENEFITS SUMMARY I-1

 FISCAL BENEFITS SUMMARY I-2

II. ECONOMIC BENEFITS ANALYSIS II-7

 A. OVERVIEW II-7

 B. STATEMENT OF METHODOLOGY II-8

 EBA MAJOR LIMITATIONS II-9

 C. ECONOMIC BENEFITS ANALYSIS: CONSTRUCTION PHASE, TOTAL PROJECT II-10

 SUMMARY OF DIRECT PROJECT BENEFITS II-10

 SUMMARY OF INDIRECT AND INDUCED PROJECT BENEFITS II-10

 SUMMARY OF TOTAL PROJECT BENEFITS II-11

 MULTIPLIERS II-12

III. FISCAL BENEFITS ANALYSIS III-18

 A. STATEMENT OF METHODOLOGY III-18

 B. SUMMARY OF FISCAL BENEFITS III-19

 C. RETAIL SALES AND USE TAX ESTIMATION III-19

 RETAIL SALES AND USE TAX REVENUE FROM CONSTRUCTION MATERIALS PURCHASED III-21

 RETAIL SALES AND USE TAX REVENUE FROM CONSTRUCTION EMPLOYEES’
 PERSONAL SPENDING III-23

 D. REAL PROPERTY TAX ESTIMATION III-26

LIST OF FIGURES

FIGURE I-1: RCG SUBJECT PROPERTY LOCATION MAP I-5

FIGURE I-2: 2016 PECCOLE RANCH MASTERPLAN SITE PLAN I-6

FIGURE II-1: 2016 PECCOLE RANCH MASTERPLAN SITE PLAN II-17

PRJ-63491
02/25/16

BADLANDS GOLF COURSE: ECONOMIC & FISCAL BENEFITS STUDY

LIST OF TABLES

TABLE I-1: PROJECT CONSTRUCTION TIMELINE I-1

TABLE I-2: TOTAL ECONOMIC IMPACT BENEFITS: PROJECT CONSTRUCTION I-2

TABLE I-3: TOTAL FISCAL IMPACT BENEFITS TO CITY OF LAS VEGAS I-3

TABLE I-4: TOTAL FISCAL IMPACT BENEFITS TO CLARK COUNTY SCHOOL DISTRICT I-4

TABLE II-1: PROJECT DESCRIPTION & ESTIMATED CONSTRUCTION COSTS II-13

TABLE II-2: CONSTRUCTION & ABSORPTION SCHEDULE II-14

TABLE II-3: TOTAL ECONOMIC IMPACT BENEFITS II-15

TABLE II-4: INFRASTRUCTURE (ROADS, POWER, WATER, ETC.) ECONOMIC IMPACT BENEFITS II-15

TABLE II-5: PRODUCT 1 (720MF* UNITS) ECONOMIC IMPACT BENEFITS II-15

TABLE II-6: PRODUCT 2 (1,500 MF* UNITS) ECONOMIC IMPACT BENEFITS..... II-15

TABLE II-7: PRODUCT 3 (800 MF* UNITS) ECONOMIC IMPACT BENEFITS II-16

TABLE II-8: PRODUCT 4 (60 SF* UNITS) ECONOMIC IMPACT BENEFITS..... II-16

TABLE III-1: TOTAL CONSOLIDATED TAX REVENUE DISTRIBUTION: 10-YEAR AVERAGE III-20

TABLE III-2: SALES AND USE TAX RATES – CLARK COUNTY III-21

TABLE III-3: SALES AND USE TAX REVENUES FROM CONSTRUCTION PURCHASES III-23

TABLE III-4: SALES AND USE TAX REVENUE FROM CONSTRUCTION EMPLOYEES’
PERSONAL SPENDING III-25

TABLE III-5: ESTIMATED ONE-TIME CITY OF LAS VEGAS SALES & USE TAX REVENUES III-25

TABLE III-6: ESTIMATED ONE-TIME CLARK COUNTY SCHOOL DISTRICT SALES & USE
TAX REVENUES..... III-26

TABLE III-7: CLARK COUNTY DISTRICT 200 PROPERTY TAX RATES III-28

TABLE III-8: REAL PROPERTY TAX REVENUES (20-YEAR PERIOD) ANNUALLY RECURRING III-29

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

I. EXECUTIVE SUMMARY

RCG Economics ("RCG") was retained by ForeStars Ltd. ("FSL") to conduct an Economic and Fiscal Impacts Study ("the Study") on the proposed 250.92-acre Peccole Ranch mixed-unit residential project ("the Project"). The Project calls for the redevelopment of the existing golf course. The Project subject property is located in the Northwest portion of the Las Vegas Valley ("the Valley") adjacent to the Queensridge community between Charleston Boulevard and Summerlin Parkway west of North Rampart Boulevard.

The Project will be comprised of four residential products ("the Products" and is planned for 3,080 residential units (see Figure I-1). The Products and units include:

- ✦ Product 1: 720 condo units (Avg. size – 900 SF)
- ✦ Product 2: 1,500 condo units (Avg. size – 2,200 SF)
- ✦ Product 3: 800 condo units (Avg. size – 900 SF)
- ✦ Product 4: 60 single family homes (Avg. lot size – 1 acre)

The construction timeline for the Project is shown in Table I-1.

Table I-1: Project Construction Timeline

Product	Start of Construction	End of Construction	Months
Infrastructure	July-17	June-18	12
Product 1	July-18	February-22	43
Product 2	April-21	April-31	120
Product 3	April-31	July-36	63
Product 4	July-18	June-24	72
Total	July-17	July-36	228

Source: FSL

For a detailed map of the Project's vicinity, see Figure I-1. Figure I-2 offers a map of the of the Project's site plan.

ECONOMIC BENEFITS SUMMARY

FSL provided RCG with cost estimates for each product in the Project plan. RCG found that the proposed construction cost of \$1.74 billion would have sizable effects on the Southern Nevada economy:

PRJ-63491
02/25/16

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

- # A total of approximately \$2,741,242,000 in one-time construction benefits.
- # A total of approximately 16,100 supported (direct, indirect and induced) full-time equivalent (“FTE”) jobs over the Project’s construction period.
- # A total of \$888,852,000 in additional labor income for employees.

Table I-2 shows the cumulative economic benefits of the Project from the associated direct, indirect and induced construction spending. All dollars amounts are in 2016 dollars.

Table I-2: Total Economic Impact Benefits: Project Construction

Impact Type	Spending/Output	Employment*	Labor Income
Direct Benefit	\$1,517,868,816	7,678	\$482,692,776
Indirect Benefit	\$687,834,399	5,042	\$237,284,238
Induced Benefit	\$535,539,155	3,380	\$168,875,254
Total Benefits	\$2,741,242,370	16,100	\$888,852,267
Multipliers	1.81	2.10	1.84

*Note: Employment in full-time equivalent. Sources: IMPLAN, FSL.

For example, “spending” would potentially result in a multiplier 1.81. This means that for every dollar spent on the Project’s construction, an additional 81 cents would ripple through the economy. The multipliers measure the total increase in output/economic activity, total employment and labor income in the wider economy per dollar in output/spending, per new jobs created directly and the per dollar increase in earnings.

FISCAL BENEFITS SUMMARY

The total spending (direct, indirect and induced) resulting from the Project’s construction would also produce fiscal benefits. RCG focused on the benefits unique to the City of Las Vegas (“the CLV”) and the Clark County School District (“CCSD”). These benefits will come about from three direct sources from two taxes as discussed below: Sales & Use tax and the Real Property tax (see Tables I-3 & I-4).

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

City of Las Vegas

1. Retail Sales & Use tax revenue for the CLV from construction materials (non-recurring) purchased to build the Project is projected to total \$23,150,000.
2. Retail Sales & Use tax revenue for the CLV from construction (non-recurring) employees' personal spending is projected at \$3,441,000 over the course of construction.
3. Annually recurring Real Property taxes accruing for the CLV associated with the Project's development is estimated at an average annual amount of \$3,411,000 over 20 years for a total of \$68,219,000 over the period.

Table I-3: Total Fiscal Impact Benefits to City of Las Vegas

One-Time/Non-Recurring Tax Revenue	
Type of Tax	Estimated Revenue
Sales & Use Tax on Construction Material Purchases	\$23,150,000
Sales & Use Tax from Personal Spending	\$3,441,000
Total Estimated One-Time Revenue	\$26,591,000

Annually Recurring Tax Revenue	
Type of Tax	Estimated Revenue
Real Property Tax (20-Year Annual Average)	\$3,411,000
Total Estimated Average Annual Revenue	\$3,411,000

Source: RCG Economics

Clark County School District

4. Retail Sales & Use tax revenue for the CCSO from construction materials (non-recurring) purchased to build the Project is projected to total \$26,915,000.
5. Retail Sales & Use tax revenue for the CCSO from construction (non-recurring) employees' personal spending is projected at \$4,000,000 over the course of construction.
6. Annually recurring Real Property taxes accruing for the CCSO associated with the Project's development is estimated at an average annual amount of \$4,208,000 over 20 years for a total of \$84,162,000 over the period.

PRJ-63491
02/25/16

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

Table I-4: Total Fiscal Impact Benefits to Clark County School District

One-Time/Non-Recurring Tax Revenue	
Type of Tax	Estimated Revenue
Sales & Use Tax on Construction Material Purchases	\$26,915,000
Sales & Use Tax from Personal Spending	\$4,000,000
Total Estimated One-Time Revenue	\$30,915,000

Annually Recurring Tax Revenue	
Type of Tax	Estimated Revenue
Real Property Tax (20-Year Annual Average)	\$4,208,000
Total Estimated Average Annual Revenue	\$4,208,000

Source: RCG Economics

The methods used to calculate the results, as well as more in-depth results are shown within the contents of this report.

Important Note: The results of RCG's economic and fiscal analyses should be understood as a "maximum estimate". IMPLAN uses inter-industry historical spending data to determine what spending would remain in Clark County. If FSL deviates from normal spending patterns and chooses to purchase construction materials from suppliers outside of the City of Las Vegas, or Clark County, during the course of completing the Project, then the estimated fiscal and economic benefits to local Nevada governments, businesses and workers will be reduced. For example, if FSL found a specific type of lighting fixture, marble/stone product, steel or other construction material not offered by local suppliers, then the spending for these products would reduce the estimates of the local economic and fiscal benefits herein.

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

Figure I-1: Subject Property Location Map



Source: RCG Economics

PRJ-63491
02/25/16

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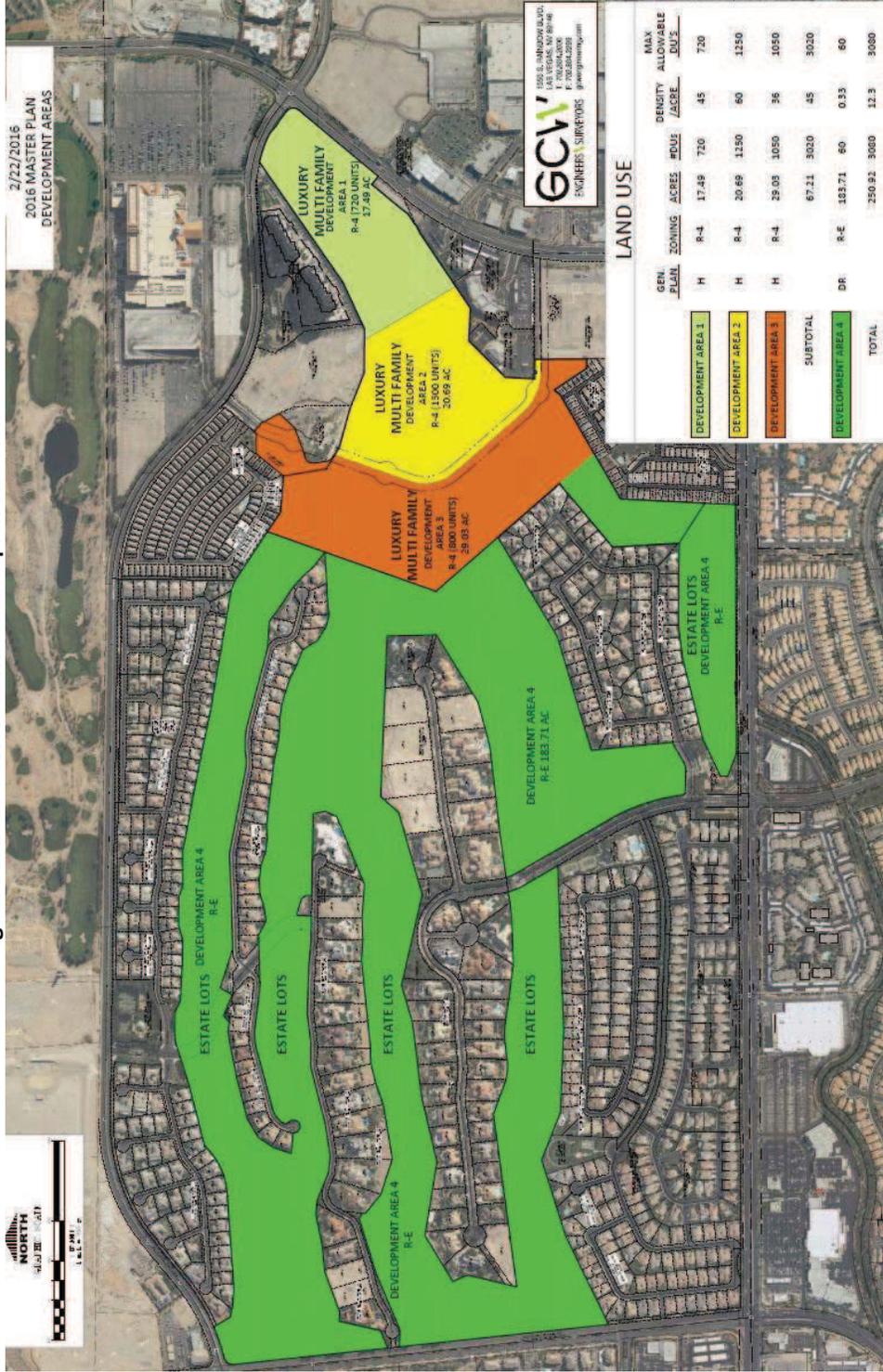
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2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

Figure I-2: 2016 Peccole Ranch Masterplan Site Plan



II. ECONOMIC BENEFITS ANALYSIS

A. OVERVIEW

The following pages summarize the findings and conclusions regarding the anticipated and hypothetical economic benefits to Southern Nevada (a.k.a. "Clark County") resulting from the construction of mixed-unit residential project "(the Projects)" at what is now a golf course in the northwestern part of the Las Vegas Valley ("the Valley"). The Project will contain four residential housing products ("the Products"), which were individually analyzed in this Study. The Study is largely based on information provided by FSL, other third parties and the IMPLAN (IMPact Analysis for PLANning) economic model. See Statement of Methodology.

RCG performed its economic benefits analysis ("EBA") to identify the potential positive net impacts of the Products on the Clark County economy. RCG did not quantify and subtract out the current economic benefits of the existing golf course.

It is important to note, that golf courses all over the country are struggling to stay open¹ because the popularity of golf has dramatically ebbed over the last decade². Course utilization has gone down and the number of golfers has declined across nearly all demographics.³ The plight of golf courses in Las Vegas mirrors that of courses throughout the nation⁴. Therefore, FSL has developed plans to replace the golf course with the 2016 Peccole Ranch Masterplan, which would provide an economic stimulus to the Las Vegas area.

The Study quantifies the positive benefits of the Products, including the creation of jobs, as well as the generation of wage and economic activity (output/spending) benefits to the region. Table II-1 shows the Products' descriptions and estimated costs. Figure I-1 shows the current site plan for the Project by product type. For information on the construction periods and estimates for the absorption period from FSL, see Table II-2.

¹ <http://www.bloomberg.com/news/articles/2014-01-16/golf-course-closings-outpace-openings-for-eighth-straight-year>

² <http://www.washingtonpost.com/news/wonkblog/wp/2015/03/05/why-america-fell-out-of-love-with-golf/>

³ "2015 State of the Golfing Industry: Activate the Core, Close the Back Door." Pellucid Corp & Edgehill Consulting. 2016.

⁴ <http://www.reviewjournal.com/business/silverstone-golf-club-closed-future-uncertain>

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

B. STATEMENT OF METHODOLOGY

FSL provided RCG with general specifications for the Project, including location, construction costs, project types and unit counts.

RCG has estimated three types of economic benefits to Clark County from the Products' construction: direct, indirect and induced. The concept of a direct benefit is relatively straightforward. However, the concepts of indirect and induced benefits, while critically important in assessing the totality of benefits associated with the Project, are often misunderstood in regional economic analysis.

Fundamentally, they are based on an extension of the direct expenditures/spending associated with the Products' construction. Each type of benefit is briefly described below.

- **Direct benefits** include the construction benefit (benefits from the local purchase of construction materials, construction jobs created and construction payroll) – essentially the benefits during the Products' construction periods.

- **Indirect benefits** are the wholesale purchases (local) of goods and services resulting from the initial direct spending attracted by the Project. For example, the selected general contractor's and its subcontractors' spending on construction materials and on other products will cause suppliers to replenish inventories, etc. The portion of these purchases made within the Clark County economy is counted as an indirect economic benefit of the Project's construction. Those inter-industry purchases associated with the construction phase are considered one-time (construction-phase) indirect benefits.

- **Induced benefits** are the output, employment and labor income growth generated by companies' employees as they consume goods and services within the local economy. For example, if a worker is employed as a heavy equipment operator at the Project; his or her personal income spent locally will cycle through the local economy and will be exchanged among local area merchants, thus inducing additional new spending (retail, food, gas, etc.) and employment in the region.

Estimates of indirect and induced benefits, as well as direct employment, were prepared by RCG using the widely accepted IMPLAN model. The IMPLAN model has been in use since 1979. The

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

model accounts closely follow the accounting conventions used in the "Input-Output Study of the U.S. Economy" by the U.S. Bureau of Economic Analysis. The IMPLAN model also calculates the impact on overall employee compensation and the average salary by occupation, based upon the estimated employment benefit.

In this Study, all estimates are in 2016 dollars to facilitate comparison of benefits over time (except employment, which is measured in full-time equivalent jobs).

The three categories estimated for Project-related benefits include:

- ✦ Changes in output/spending (equivalent to Gross Product)
- ✦ Changes to employment (measured in terms of annual full-time equivalents, or "FTEs")
- ✦ Changes to annual labor income, or total compensation (equivalent to payroll)

Finally, since all benefits are driven by "new" events, construction benefits are a "one-time" benefit during the Products' construction periods.

EBA MAJOR LIMITATIONS

The EBA was prepared under various limiting assumptions acknowledged and presented herein:

- ✦ **Substitution Effects:** It is assumed herein that the Project's-related spending is all new money added to the local economy, without factoring in any decrease in other goods and services on which this money might alternatively have been spent.
- ✦ **Supply/Demand Pooling:** We have assumed that Project-related construction demands will be accommodated locally to the greatest extent possible. Thus, all local needs that can possibly be met by local producers/suppliers will be. If demand is greater than supply, local producers/suppliers will meet 100 percent of that demand and the remaining demand will be exported. Since this minimizes imports, it will maximize local economic activity and the resulting multipliers.

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

- ✦ **Economic Leakage:** RCG's analysis also recognizes as important, "leakage" from the study region (Clark County) due to spending on purchases outside of the region. Economic leakage refers to revenues that flow out of a local or regional economy to finance the purchase of goods and services from outside sources (imports) instead of being purchased locally. In a highly developed and urbanized local economy, a large share of the goods and services consumed are purchased from local producers and suppliers.

C. ECONOMIC BENEFITS ANALYSIS: CONSTRUCTION PHASE, TOTAL PROJECT

SUMMARY OF DIRECT PROJECT BENEFITS

- ✦ An estimated \$1,517.9 million (\$1.5 billion-rounded) of direct output (construction spending) activity is expected to be generated in the Clark County economy during the combined Products' construction periods. All monetary amounts are in 2016 dollars.
- ✦ RCG estimates that the Products' combined construction will support nearly 7,700 direct FTE construction jobs in Clark County. This estimate does not factor in indirect and induced jobs.
- ✦ The Project is estimated to generate approximately \$482.7 million in direct labor earnings (payroll) during the Products' construction periods.

SUMMARY OF INDIRECT AND INDUCED PROJECT BENEFITS

- ✦ An estimated \$1,223.4 million (\$1.2 billion-rounded) of indirect and induced output (all types of spending) activity is expected to be generated for the Clark County economy during the combined Products' construction periods.
- ✦ The Project's construction is projected to support 8,400 indirect and induced FTE construction and non-construction jobs in Clark County.
- ✦ The Project's construction is forecasted to generate approximately \$406.2 million in indirect and induced wages/labor income (payroll) during the Products' lifetime.

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

SUMMARY OF TOTAL PROJECT BENEFITS

“Total economic benefits” are the sum of **direct, indirect and induced benefits**, specifically:

- ✦ An estimated \$2,741.2 million (\$2.7 billion-rounded) of total output (construction and non-construction spending) activity is expected to be generated for the Clark County economy during the Project’s construction period.
- ✦ The Project’s construction is projected to support about 16,100 FTE construction and non-construction industry jobs in Clark County.
- ✦ The Project is forecasted to generate approximately \$888.9 million in direct, indirect and induced wages/labor income (payroll) during the Project’s life.

The results of RCG’s analysis are illustrated below in Table II-3. Table II-4 through Table II-8 summarize the estimated economic benefits (direct, indirect, induced and total) of each phase of the Project.

There is a caveat in the employment results, and it is the reason RCG did not report income per worker. IMPLAN calculates total jobs: full- and part-time. Due to the method and tools that IMPLAN provides for the FTE job conversion, you cannot simply divide labor income by the job estimates. Doing a straight calculation for average income yields a result of approximately \$55,200 per worker per year in 2016 dollars. However, every FTE is counted as one job by definition rather than the total jobs as originally calculated, which is approximately 1.1 jobs per FTE. Therefore, using the FTE employment figure results in an overestimate of the average annual income per job.

For example, imagine if a construction project were to create two jobs – one 30-hour per week job and one 10-hour per week job. If the 30-hour per week worker is paid \$40,000 annually, while the 10-hour per week worker is paid \$10,000 annually, that would equate to an average of \$25,000 per year for the two combined jobs. However, as an FTE, it would equate to one job at \$50,000 per year. This would incorrectly double the combined average annual wage for these two employees from \$25,000 to \$50,000 per year.

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

MULTIPLIERS

The following table illustrates the output, labor and labor wage multipliers associated with the construction of the Project. Multipliers are based on the "domino theory" of economic change. They translate the impacts of change in one variable on other variables. In other words, multipliers generally estimate the "ripple effect" of economic activity's direct output/spending, labor and wages.

Impact Type	Spending/Output	Employment	Labor Income
<i>Multipliers</i>	<i>1.81</i>	<i>2.10</i>	<i>1.84</i>

The multipliers in this table show the ratio of total benefits to direct benefits, based on the results of the IMPLAN model. For example, this table shows that for every dollar spent on the construction of the Project (direct benefit), an additional \$0.81 of output/spending is generated in the Clark County economy (sum of indirect and induced benefits to the economy).

Typically, these multipliers are under 2.0, but in this case, the employment multiplier is 2.10. This suggests that for every direct construction job created onsite, 1.10 more jobs are potentially supported elsewhere in Clark County. This likely reflects the current weakness in the Las Vegas job market (relatively high unemployment rate with forced part-time and discouraged workers being added to unemployed workers currently searching for job. For example, the current "headline" unemployment rate in Clark County is 6.2%, as of December 2015. However, the latest U-6 rate for Nevada, which includes the forced part-timers and the discouraged, is above 13% - 13.9% as of Q4/15). Southern Nevada, which is the state's primary economic driver, is responsible for this relatively high U-6 rate. Accordingly, each new job directly created at the Products has a larger than normal effect on new jobs.

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

Table II-1: Project Description & Estimated Construction Costs

Project Description	Units	Estimated Cost
Backbone Infrastructure		\$24,600,000
Product 1		
Condominium - 2 phases (for lease)	720	\$167,000,000
4-story mid-rise (720 units)		
Average unit size = 900 sf		
Product 2		
High-rise product - 5 towers (for sale)	1,500	\$1,056,000,000
Up to 25 stories (1,500 units)		
Average unit size = 2,500 sf		
Product 3		
Condominium - 4 phases (for sale)	800	\$230,000,000
4-story mid-rise (800 units)		
Average unit size = 900 sf		
Product 4		
SF Homes - 1 acre lots (12 phases - 60 lots)	60	\$259,750,000
Total Units/Lots	3,080	\$1,737,350,000

Source: FSL

PRJ-63491
02/25/16

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

Table II-2: Construction & Absorption Schedule

Product	Start Construction	End Construction	Absorption Date
Infrastructure			
Mass Grading & Infrastructure Backbone	Jul-17	Dec-17	N/A
Initial Site Work	Dec-17	Jun-18	N/A
4-Story Mid-rise Condominium (720 un.)			
Phase 1 - 360 units	Jul-18	Apr-20	Apr-22
Phase 2 - 360 units	Apr-20	Feb-22	Feb-24
5-Tower High-rise Condominium (1,500 un.)			
Building 1 - 300 units	Apr-21	Apr-23	Apr-26
Building 2 - 300 units	Apr-23	Apr-25	Apr-28
Building 3 - 300 units	Apr-25	Apr-27	Apr-30
Building 4 - 300 units	Apr-27	Apr-29	Apr-32
Building 5 - 300 units	Apr-29	Apr-31	Apr-34
4-Story Mid-rise Condominium (800 un.)			
Phase 1 - 200 units	Apr-31	Aug-32	Aug-36
Phase 2 - 200 units	Aug-32	Nov-33	Dec-37
Phase 3 - 200 units	Nov-33	Mar-35	Apr-39
Phase 4 - 200 units	Mar-35	Jul-36	Jul-40
Single Family Homes (60 un.)			
Phase 1 - 5 units	Jul-18	Dec-18	Mar-19
Phase 2 - 5 units	Dec-18	Jun-19	Sep-19
Phase 3 - 5 units	Jun-19	Dec-19	Mar-20
Phase 4 - 5 units	Dec-19	Jun-20	Sep-20
Phase 5 - 5 units	Jun-20	Dec-20	Mar-21
Phase 6 - 5 units	Dec-20	Jun-21	Sep-21
Phase 7 - 5 units	Jun-21	Dec-21	Mar-22
Phase 8 - 5 units	Dec-21	Jun-22	Sep-22
Phase 9 - 5 units	Jun-22	Dec-22	Mar-23
Phase 10 - 5 units	Dec-22	Jun-23	Sep-23
Phase 11 - 5 units	Jun-23	Dec-23	Mar-24
Phase 12 - 5 units	Dec-23	Jun-24	Sep-24

Source: FSL

PRJ-63491
02/25/16

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

Table II-3: Total Economic Impact Benefits

Impact Type	Spending/Output	Employment*	Labor Income
Direct Benefit	\$1,517,868,816	7,678	\$482,692,776
Indirect Benefit	\$687,834,399	5,042	\$237,284,238
Induced Benefit	\$535,539,155	3,380	\$168,875,254
Total Benefits	\$2,741,242,370	16,100	\$888,852,267
Multipliers	1.81	2.10	1.84

*Note: Employment in full-time equivalent. Sources: IMPLAN, FSL.

Table II-4: Infrastructure (Roads, Power, Water, etc.) Economic Impact Benefits

Impact Type	Spending/Output	Employment*	Labor Income
Direct Benefit	\$24,011,601	123	\$7,652,086
Indirect Benefit	\$10,703,904	78	\$3,700,410
Induced Benefit	\$8,444,858	53	\$2,662,970
Total Benefits	\$43,160,363	255	\$14,015,465
Multipliers	1.80	2.07	1.83

*Note: Employment in full-time equivalent. Sources: IMPLAN, FSL.

Table II-5: Product 1 (720 MF* Units) Economic Impact Benefits

Impact Type	Spending/Output	Employment**	Labor Income
Direct Benefit	\$151,586,521	745	\$48,009,790
Indirect Benefit	\$70,829,360	520	\$24,339,491
Induced Benefit	\$53,808,764	340	\$16,967,957
Total Benefits	\$276,224,644	1,605	\$89,317,238
Multipliers	1.82	2.15	1.86

*Note: MF stands for multi-family. **Employment in full-time equivalent. Sources: IMPLAN, FSL.

Table II-6: Product 2 (1,500 MF* Units) Economic Impact Benefits

Impact Type	Spending/Output	Employment**	Labor Income
Direct Benefit	\$913,229,850	4,490	\$289,233,982
Indirect Benefit	\$426,710,007	3,132	\$146,632,759
Induced Benefit	\$324,169,782	2,046	\$102,223,108
Total Benefits	\$1,664,109,639	9,668	\$538,089,849
Multipliers	1.82	2.15	1.86

*Note: MF stands for multi-family. **Employment in full-time equivalent. Sources: IMPLAN, FSL.

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

Table II-7: Product 3 (800 MF* Units) Economic Impact Benefits

Impact Type	Spending/Output	Employment**	Labor Income
Direct Benefit	\$198,904,229	978	\$62,996,036
Indirect Benefit	\$92,938,733	682	\$31,937,059
Induced Benefit	\$70,605,159	446	\$22,264,502
Total Benefits	\$362,448,121	2,106	\$117,197,597
Multipliers	1.82	2.15	1.86

*Note: MF stands for multi-family. **Employment in full-time equivalent. Sources: IMPLAN, FSL.

Table II-8: Product 4 (60 SF* Units) Economic Impact Benefits

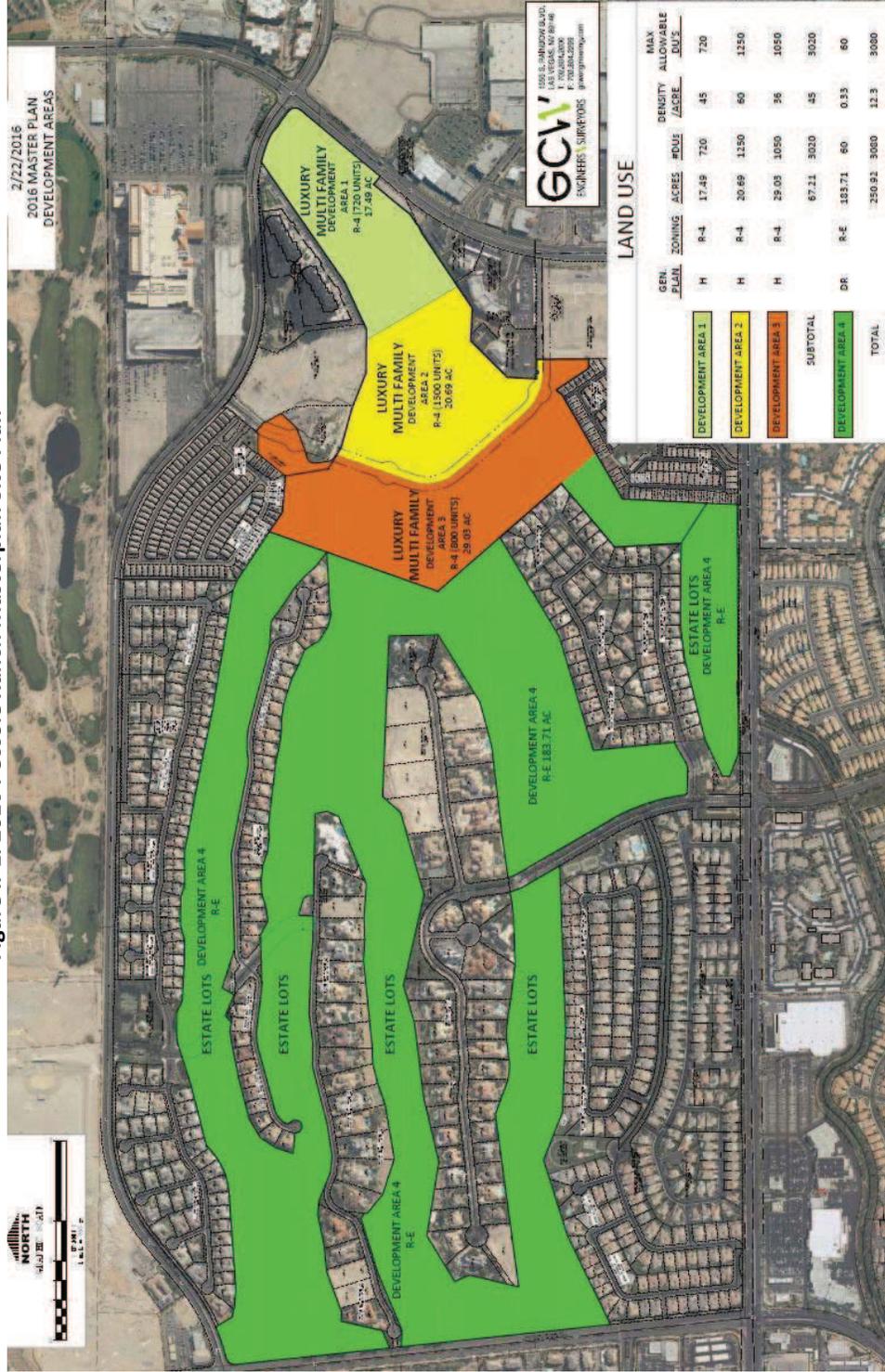
Impact Type	Spending/Output	Employment**	Labor Income
Direct Benefit	\$230,136,615	1,342	\$74,800,883
Indirect Benefit	\$86,652,396	629	\$30,674,519
Induced Benefit	\$78,510,592	495	\$24,756,717
Total Benefits	\$395,299,603	2,467	\$130,232,119
Multipliers	1.72	1.84	1.74

*Note: MF stands for multifamily. SF stands for single-family. **Employment in full-time equivalent. Sources: IMPLAN, FSL.

PRJ-63491
02/25/16

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

Figure II-1: 2016 Peccole Ranch Masterplan Site Plan



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02/25/16

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III. FISCAL BENEFITS ANALYSIS

A. STATEMENT OF METHODOLOGY

The Project's construction will produce additional economic activity in the region that will fiscally benefit local and state governments. The following section summarizes the findings and conclusions regarding the anticipated and hypothetical fiscal benefits to the CLV and the CCSD resulting from the Project.

Because of the nature of the assignment and the complexity of the Nevada tax system, RCG limited the fiscal benefits analysis to developing a hypothetical estimate of the potential retail Sales & Use taxes, as well as real property taxes generated from the Project's construction. For example, this study does not account for any potential abatements or exemptions to the retail Sales & Use tax that may be available related to the Project's construction and some assumptions may not hold true and therefore under- or overestimate the total fiscal benefits from the project.

Nevada statutes and local ordinances were reviewed to identify the general retail Sales & Use taxes associated with the construction of the Project, as well as the property tax rates for the parcels involved in the project.

In this section of the Study, RCG estimated the share of revenues apportioned to both the CLV and the CCSD from two main sources of Sales & Use tax, as well as the Real Property Tax. The estimated tax sources are:

- ✦ Retail Sales & Use tax revenue from construction materials purchased

- ✦ Retail Sales & Use tax revenue from construction employees' personal spending

- ✦ Real Property Taxes on the converted 2016 Peccole Ranch Masterplan site

Tax revenue estimates and their apportionment to Nevada's various entities depend on the particular source and how it is distributed. The present methodology used to estimate tax revenues for the Project's operations is based on current and existing tax rates. Any changes to tax rates in the future will alter these results. RCG used information provided by third party resources, such as the Bureau of Economic Analysis ("BEA"), results from the EBA above and local tax laws to derive

PRJ-63491
02/25/16

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

estimates of tax revenues that could be potentially generated from the project. Since the Project is located in the CLV, RCG made the estimation of the fiscal benefits specifically to the CLV a priority within this analysis.

B. SUMMARY OF FISCAL BENEFITS

- ✦ Retail Sales & Use tax revenue for the CLV from construction materials purchased to build the entire Project is estimated to total \$23,150,000 (\$23.1 million-rounded).
- ✦ Retail Sales & Use tax revenue for the CLV from construction employees' personal spending is projected at \$3,441,000 (\$3.4 million-rounded) over the course of the Project's construction period.
- ✦ Real Property Taxes accruing the CLV associated with the Project's development is estimated at an average annual \$3,411,000 for 20 years for a total of \$68,219,000 (\$68.2 million-rounded) over the 20-year period.
- ✦ Retail Sales & Use tax revenue for the CCSD from construction materials purchased to build the entire Project is estimated to total \$26,915,000 (\$26.9 million-rounded).
- ✦ Retail Sales & Use tax revenue for the CCSD from construction employees' personal spending is projected at \$4,000,000 (\$4.0 million-rounded) over the course of the Project's construction period.
- ✦ Real Property Taxes accruing the CCSD associated with the Project's development is estimated at an average annual \$4,208,000 for 20 years for a total of \$84,162,000 (\$84.2 million-rounded) over the 20-year period.

Note: All tax revenues herein have been adjusted to 2016 values.

C. RETAIL SALES & USE TAX ESTIMATION

In Clark County, retail sales are subject to an 8.1-percent Sales & Use tax. The revenues generated from this tax go to the State General Fund, school funds and city-county relief funds. The amount

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

redistributed back to the counties and cities is based on a statutory formula. During the past 10 years, the CLV has received, on average, 27.6 percent of the available taxes to be apportioned to local governments, meaning the effective tax rate of all retail sales for the CLV is 2.24 percent (8.1%*27.6%). Tables 3-1 and 3-2 provide a breakdown of the effective tax rate used in this section to estimate the tax revenues gained by the CLV.

Part of the Sales & Use tax – the Local School Support Tax – is directly apportioned to the CCSD. Of the 8.1 percent tax, 2.6 percent is earmarked for the CCSD (see Table III-2).

Table III-1: Total Consolidated Tax Revenue Distribution: 10-Year Average

FY		Clark County	City of LV	Apportionment to CLV
Year 1	2006	\$965,540,785	\$264,253,250	27.4%
Year 2	2007	\$965,394,425	\$263,249,775	27.3%
Year 3	2008	\$921,882,771	\$250,913,934	27.2%
Year 4	2009	\$795,615,653	\$219,964,997	27.6%
Year 5	2010	\$720,280,801	\$201,518,649	28.0%
Year 6	2011	\$755,274,367	\$207,962,167	27.5%
Year 7	2012	\$792,307,045	\$221,315,602	27.9%
Year 8	2013	\$833,356,973	\$232,992,158	28.0%
Year 9	2014	\$888,243,641	\$245,704,996	27.7%
Year 10	2015	\$950,340,990	\$261,542,205	27.5%
10-Year Average				27.6%

Source: NV Department of Taxation. As of February 2016.

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

Table III-2: Sales & Use Tax Rates - Clark County

Description	Tax Rate
<u>Minimum Statewide Tax Rate</u>	
Sales Tax	2.00%
Local School Support Tax (to CCSD)	2.60%
Basic City-County Relief Tax	0.50%
Supplemental City-County Relief Tax	1.75%
<u>Option Taxes</u>	
Public Mass Trans; Construction; Air Quality	0.50%
Control of Floods	0.25%
Infrastructure	0.25%
<u>Special and Local Acts</u>	
Clark County Sales & Use Tax Act of 2005	0.25%
Combined Sales & Use Tax	8.10%
10-year Average Apportionment to CLV (from Table III-1)	27.6%
Effective Tax Rate Apportioned to CLV	2.24%

Source: NV Department of Taxation. As of February 2016.

In Nevada, construction contractors are considered the consumers of all materials used in fulfilling a construction contract for improvement to real property. A construction contractor owes either sales tax or use tax on the cost of the materials used to fulfill a construction contract.

Construction materials purchased by construction companies for use on the Project and its components will be subject to the retail Sales & Use tax, as will personal tangible property purchased by these companies and their employees.

RETAIL SALES & USE TAX REVENUE FROM CONSTRUCTION MATERIALS PURCHASED

The results of retail Sales & Use tax revenue from construction materials purchased for the Products are presented in Table III-3 at the end of this section.

The following assumptions and calculations were used in RCG's analysis:

- ✦ *Total Construction Expenditures*: FSL provided expected construction costs for the all phases of development.

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

- ✦ *Total Labor Costs:* The IMPLAN software was used to estimate the percentage of project costs spent on construction materials versus labor costs, and from there a total labor cost figure was provided.
- ✦ *Construction Materials Cost:* It is assumed that the remainder of construction costs after paying labor wages is spent on construction materials.
- ✦ *Percent Taxable:* This column represents costs of construction materials subject to Sales & Use tax. In Nevada, 100 percent of construction materials cost is subject to Sales & Use tax.
- ✦ *Total Estimated Sales Tax Revenue:* Estimated total Sales & Use tax revenue from construction materials purchased was calculated by multiplying the taxable share of construction materials cost (100%) by Clark County's sales tax rate of 8.1 percent.
- ✦ *Estimated Tax Revenue Apportionment to the CLV and the CCSD:* Estimated total Sales & Use tax revenue from construction materials purchased was calculated by multiplying the taxable share (100%) of construction materials cost by the estimated effective tax rate to the CLV (2.24%), and by the 2.6 percent tax rate for the CCSD, both found in Table III-2.

Using the effective sales tax rate, the total estimated Sales & Use tax revenues gained by the CLV from the construction purchases and activities of the project is \$23,150,000.

For the CCSD, the total estimated Sales & Use tax revenues from the construction purchases and activities of the project is \$26,915,000.

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

Table III-3: Sales & Use Tax Revenues from Construction Purchases

Figure	Value
Total Construction Expenditures	\$1,517,868,816
Less: Labor Costs (Estimated from EBA/IMPLAN)	\$482,692,776
Expenditures on Materials and Equipment	\$1,035,176,040
Percent Taxable	100.0%
Clark County Combined Sales & Use Tax Rate	8.10%
Total Estimated Tax Revenue	\$83,849,259
<i>Apportionment of Estimated Tax Revenues:</i>	
<i>Estimated Tax Rate Apportionment to CCSD (From Table 2)</i>	2.60%
Estimated Tax Revenue Apportionment to CCSD	\$26,914,577
<i>Estimated Tax Rate Apportionment to CLV (From Table 2)</i>	2.24%
Estimated Tax Revenue Apportionment to CLV	\$23,149,798

Sources: FSL, IMPLAN, NV Department of Taxation.

RETAIL SALES & USE TAX REVENUE FROM CONSTRUCTION EMPLOYEES' PERSONAL SPENDING

The results of retail Sales & Use tax revenue from construction employees' personal spending are presented in Table III-4 at the end of this section.

The following assumptions and calculations were used in this analysis:

- ✦ *Employee's Labor Income:* Construction employees' (direct jobs) income was estimated using the IMPLAN software.
- ✦ *Percent Income Spent on Consumption:* The percentage of the 2016 Peccole Ranch Masterplan projects' construction employees' income spent on personal consumption was estimated to be 85 percent, based on spending data obtained through Bureau of Economic Analysis ("BEA").
- ✦ *Amount Spent on Consumption:* The amount spent by the Project's construction employees on consumption was calculated by multiplying the Project's labor income by the percentage of income spent on consumption.
- ✦ *Taxable Share of Consumption (%):* RCG estimated the taxable sales' share of consumption at 50 percent, based on information provided in the BEA data. This percentage is a general estimate and not meant to be an exact representation of the actual Sales taxes paid by the

PRJ-63491
02/25/16

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

employees that worked on the Project. The Sales & Use tax system in Nevada is quite complex with numerous exemptions and abatements. Accordingly, the data used herein are subject to these limitations and are meant only to reflect general consumer spending trends.

- ✦ *Taxable Share (\$)*: The taxable share of retail purchases was calculated by multiplying the amount spent on consumption by the taxable share.
- ✦ *Percent Purchased Locally*: Consumer surveys report that, on average, residents spend 75 percent of their expenditures locally.
- ✦ *Value of Taxable Goods Purchased Locally*: The value of taxable goods purchased locally was calculated by multiplying the taxable share of retail purchases by the assumed percentage of expenditures captured locally.
- ✦ *Total Estimated Sales Tax Revenue*: The estimated total sales tax revenue from construction employees' personal spending is calculated by multiplying the value of taxable goods purchased locally by Clark County's sales tax rate.
- ✦ *Estimated Tax Revenue Apportionment to the CLV and the CCSD*: The estimated total sales and tax revenue from construction employees' personal spending apportioned to the CLV and the CCSD is calculated by multiplying the total value of taxable goods purchased locally by the estimated effective tax rates from Table III-2 (2.24% for CLV and 2.6% for CCSD).

Using the effective sales tax rate, the total estimated Sales & Use tax revenues gained by the CLV from the construction employees' personal spending amounts to \$3,441,000. For the CCSD, that amount was \$4,000,000 (see Table III-4).

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

Table III-4: Sales & Use Tax Revenue from Construction Employees' Personal Spending

Figure	Value
Employees' Labor Income (from IMPLAN)	\$482,692,776
% Spent on Consumption	85.0%
\$ Amount Spent on Consumption	\$410,288,859
Taxable Share (%)	50.0%
Taxable Share (\$)	\$205,144,430
% Purchased Locally	75.0%
\$ Amount of Taxable Goods Purchased Locally	\$153,858,322
Clark County Sales & Use Tax Rate	8.10%
Total Estimated Tax Revenue	\$12,462,524

Apportionment of Estimated Tax Revenues:

Estimated Tax Rate Apportionment to the CCSD	2.60%
Estimated Tax Revenue Apportionment to the CCSD	\$4,000,316
Estimated Tax Rate Apportionment to the CLV	2.24%
Estimated Tax Revenue Apportionment to the CLV	\$3,440,757

Sources: BEA, IMPLAN, NV Department of Taxation.

Table III-5 provides a total Sales & Use tax revenue forecast for the CLV from the construction activities and personal employee spending generated by the Project. In total, RCG estimates the CLV could potentially receive \$26,591,000 in tax revenues over the course of the Project's construction.

Table III-5: Estimated One-Time City of Las Vegas Sales & Use Tax Revenues

Source	Value
Estimated Tax Revenue Apportionment to CLV from Construction Purchases	\$23,150,000
Estimated Tax Revenue Apportionment to CLV from Project Employee Spending	\$3,441,000
Total CLV Sales & Use Tax Revenue	\$26,591,000

Sources: NV Department of Taxation, BEA, IMPLAN

Totals may not add due to rounding.

Table III-6 provides a total Sales & Use tax revenue forecast for the CCSD from the construction activities and personal employee spending generated by the Project. In total, RCG estimates the CCSD will potentially receive \$30,915,000 in tax revenues over the course of the Project's construction.

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

Table III-6: Estimated One-Time Clark County School District Sales & Use Tax Revenues

Source	Value
Estimated Tax Revenue Apportionment to CCSD from Construction Purchases	\$26,915,000
Estimated Tax Revenue Apportionment to CCSD from Project Employee Spending	\$4,000,000
Total CCSD Sales & Use Tax Revenue	\$30,915,000

Sources: NV Department of Taxation, BEA, IMPLAN

Totals may not add due to rounding.

D. REAL PROPERTY TAX ESTIMATION

The results of the 20-year annually recurring real property tax revenues from the redevelopment of the subject property into a mixed-unit residential project are presented in Table III-8 at the end of this section. The 20-year period covered consists of those years that include new land improvements due to the Project (2017-2036).

The following assumptions and calculations were used in this analysis:

- ✦ *Taxable Value of Land:* The taxable value of land was obtained from the Clark County Assessor's records. The value of land in the first year of Table III-8 represents the aggregate value from the six parcels within the Project. It is assumed that the value of the land appreciates by 2.5 percent per year.
- ✦ *Taxable Value of Improvements:* The taxable value of improvements was also obtained from the Clark County Assessor's records and from the project cost schedule provided by FSL. The value of improvements in Year 0 of Table III-8 represents the aggregate value from the current improvements on the Project's six parcels. It is assumed that the value of the land appreciates by 2.5 percent annually. RCG also assumes that the project costs detailed in Table 2-1 increase the taxable value of improvements equal to the combined Products' total cost. RCG further assumes that all spending on improvements occurs at an average monthly rate over the timeframe of each specific project phase (for example, a project phase that requires \$1,000,000 spent over two years is assumed to spend \$41,667 each month) as detailed in the construction schedule found in Table 2-2.
- ✦ *Depreciation Factor:* As permitted by Nevada law, the taxable value of improved land is valued at present replacement cost less a depreciation factor of 1.5 percent for up to 50 years.

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

- ✦ *Taxable Value Total:* The taxable value total is calculated by summing the taxable value of land, improvements and the depreciation factor.
- ✦ *Assessed Value Total:* The assessed value total is 35 percent of the taxable value total, as established by the Clark County Assessor.
- ✦ *Real Property Tax Revenues:* The real property tax revenues is calculated by taking the FY 2015-2016 Clark County District 200 combined property tax rate (\$3.2782 per every \$100) multiplied by the Assessed Value Total. Table III-7 provides the current tax rates from the NV Treasurer's office.
- ✦ *Apportionment to City of Las Vegas:* The apportionment to the CLV is determined by the share of property taxes collected by the CLV. Table III-7 provides the CLV property tax apportionment (\$1.0565 per every \$100). The apportionment is calculated by multiplying the Assessed Value total by the CLV property tax apportionment rate.
- ✦ *Apportionment to Clark County School District:* The apportionment to the CCSD is determined by the share of property taxes collected by the CCSD. Table III-7 provides the CCSD property tax apportionment (\$1.3034 per every \$100). The apportionment is calculated by multiplying the Assessed Value total by the CCSD property tax apportionment rate.
- ✦ *Apportionment to Other Public Entities:* The apportionment to Other Public Entities is calculated by multiplying the remainder of the combined property tax rate (total rate less the CLV and CCSD apportionments - \$0.9183 per every \$100) by the Assessed Value Total.

Table III-8 provides estimates of property tax revenue, subject to current rates, that will be gained by the CLV and the CCSD over a 20-year period. On average, annual property taxes collected by the CLV from the Project come to \$3,411,000. The estimated total property tax revenue over the 20-year period apportioned for the CLV is \$68,219,000.

Annual property taxes collected by the CCSD from the Project come to \$4,208,000 per year on average. The estimated total property tax revenue over the 20-year period apportioned for the CCSD is \$84,162,000. All values are given in 2016 dollars.

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

Table III-7 Clark County District 200 Property Tax Rates

Tax Source	Rate Percent
Assistance To Indigent Persons	0.1
Clark County Capital	0.05
Clark County Debt	0.0129
Clark County Family Court	0.0192
Clark County General Operating	0.447
County School Debt (Bonds)	0.5534
County School Maintenance & Operation	0.75
Indigent Accident Fund	0.015
Las Vegas City	0.6765
Las Vegas City Fire Safety	0.095
LV/Clark County Library	0.0942
LVMPD Emergency 911	0.005
LVMPD Manpower Supplement LV	0.28
State Cooperative Extension	0.01
State Of Nevada	0.17
Total Tax Rate	3.2782
Clark County School District Tax Rate (sum of blue)	1.3034
City of Las Vegas Tax Rate (sum of grey)	1.0565

Source: NV Treasurer's Office.

2016 PECCOLE RANCH MASTER PLAN: ECONOMIC & FISCAL BENEFITS STUDY

Table III-8: Real Property Tax Revenues (20-Year Period) Annually Recurring

	Taxable Value of Land (plus: annual change @2.5%)	Taxable Value of Improvements ⁽¹⁾ (plus: annual change @2.5%)	Less: Depreciation Factor (@1.5%)	Taxable Value Total	Assessed Value Total (@35%)	Real Property Tax Revenues (@3.2782 tax rate per every \$100)	Apportionment to City of Las Vegas (@1.0565/\$100)	Apportionment to Clark County School District (@1.3024/\$100)	Apportionment to Other Public Entities (@0.9183/\$100)
2016	Year 0	\$667,566	\$4,773,840	\$0	\$1,904,492	\$62,400	\$20,100	\$24,800	\$17,500
2017	Year 1	\$684,255	\$16,898,987	(\$253,485)	\$17,329,757	\$198,800	\$64,100	\$79,100	\$55,700
2018	Year 2	\$701,361	\$69,656,921	(\$1,304,676)	\$69,053,606	\$792,300	\$255,300	\$315,000	\$221,900
2019	Year 3	\$718,895	\$152,057,662	(\$3,618,158)	\$149,158,399	\$1,711,400	\$551,600	\$680,400	\$479,400
2020	Year 4	\$736,868	\$236,518,421	(\$7,256,388)	\$229,998,901	\$80,499,615	\$850,900	\$1,049,200	\$739,200
2021	Year 5	\$755,289	\$383,972,689	(\$13,197,388)	\$371,530,590	\$4,262,800	\$1,373,800	\$1,694,900	\$1,194,100
2022	Year 6	\$774,172	\$526,776,361	(\$21,428,968)	\$506,121,565	\$5,807,100	\$1,871,500	\$2,308,900	\$1,626,700
2023	Year 7	\$793,526	\$669,624,858	(\$32,009,065)	\$638,409,319	\$7,324,900	\$2,360,700	\$2,912,400	\$2,051,900
2024	Year 8	\$813,364	\$796,866,516	(\$44,762,289)	\$752,917,590	\$8,638,800	\$2,784,100	\$3,434,700	\$2,419,900
2025	Year 9	\$833,698	\$908,111,163	(\$59,503,014)	\$849,441,848	\$9,746,200	\$3,141,000	\$3,875,100	\$2,730,100
2026	Year 10	\$854,541	\$1,022,136,928	(\$76,322,643)	\$946,668,825	\$10,861,800	\$3,500,500	\$4,318,600	\$3,042,600
2027	Year 11	\$875,904	\$1,139,013,336	(\$95,315,909)	\$1,044,573,330	\$11,985,100	\$3,862,600	\$4,765,200	\$3,357,300
2028	Year 12	\$897,802	\$1,258,811,654	(\$116,580,982)	\$1,143,128,474	\$13,115,900	\$4,227,000	\$5,214,800	\$3,674,100
2029	Year 13	\$920,247	\$1,381,604,930	(\$140,219,580)	\$1,242,305,597	\$14,253,800	\$4,593,700	\$5,667,300	\$3,992,800
2030	Year 14	\$943,253	\$1,507,468,039	(\$166,337,091)	\$1,342,074,201	\$15,398,600	\$4,962,700	\$6,122,400	\$4,313,500
2031	Year 15	\$966,834	\$1,600,853,414	(\$194,508,319)	\$1,407,311,929	\$16,147,100	\$5,203,900	\$6,420,000	\$4,523,200
2032	Year 16	\$991,005	\$1,678,761,269	(\$224,552,446)	\$1,455,199,828	\$16,696,500	\$5,381,000	\$6,638,500	\$4,677,100
2033	Year 17	\$1,015,780	\$1,758,616,821	(\$256,545,510)	\$1,503,087,092	\$17,246,000	\$5,558,000	\$6,856,900	\$4,831,000
2034	Year 18	\$1,041,175	\$1,840,468,761	(\$290,566,179)	\$1,550,943,757	\$17,795,100	\$5,735,000	\$7,075,300	\$4,984,800
2035	Year 19	\$1,067,204	\$1,924,367,000	(\$326,695,838)	\$1,598,738,366	\$18,343,400	\$5,911,700	\$7,293,300	\$5,138,400
2036	Year 20	\$1,093,884	\$1,994,576,645	(\$364,781,884)	\$1,630,888,645	\$18,712,300	\$6,030,600	\$7,440,000	\$5,241,800
					20-Year Annual Average:	\$10,583,800	\$3,411,000	\$4,208,100	\$2,964,800
					20-Year Total:	\$211,676,800	\$68,219,300	\$84,162,000	\$59,295,500

Sources: Clark County Assessor, NV Treasurer's Office, FSL, IMPLAN, Nevada Taxpayer's Association.

Totals may not add due to rounding.

⁽¹⁾ Construction costs used in this analysis may not necessarily be consistent with Marshall and Swift data used by the Clark County Assessor's office to estimate taxable value of improvements. Also, assume that 100% of estimated project costs adds to Taxable Value.

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III-29

PRJ-63491
02/25/16

MOD-63600, GPA-63599, ZON-63601 and DIR-63602

EXHIBIT P

PECCOLE RANCH MASTER PLAN

LAND USE DATA

1989 VERSUS 1990 APPROVED MASTER PLAN'S ACRES RECONCILIATION

LAND USE	1989 APPROVED MASTER PLAN (EXHIBIT A)		1990 APPROVED MASTER PLAN (EXHIBIT B)					
	PHASE ONE ACRES	"FUTURE PHASES" ACRES	TOTAL ACRES	PARCELS REMOVED FROM THE OVERALL MASTER PLAN (2)	RECLASSIFIED 100.01 ACRES FROM SF & MF TO COMMERCIAL (3)	SUBTOTAL ACRES	OTHER ADJ. FROM 1989 TO 1990 APPROVED MASTER PLAN	ACRES
Single-Family	328.49	487.9	816.39		-74.9	741.49	-12.00	729.49
Multi-Family	80.95	133.9	214.85	-29.6	-25.2	160.05	-19.13	140.92
Mixed Use Village Center								
*Commercial, Office - 40 acres (5)								
*Multi-Family - 35.56 acres (6)								
Neighborhood Commercial/Office	42.75	143.1	185.85	-54.3	100.1	231.65	5.40	237.05
Resort-Casino	0	56.6	56.6			56.6	-0.60	56
Water Storage	0	10.9	10.9	-10.9		0		0
Nursing Home	8.25	0	8.25			8.25		8.25
Golf Course		179.48	179.48			179.48	4.50	183.98
Open Space/Drainage (1)	41.47	27.62	69.09			69.09		69.09
Right-of-Way (4)	53.97	90.5	144.47			144.47	-30.10	114.37
Schools	17.34	13.1	30.44			30.44		30.44
TOTAL	573.22	1143.1	1716.32	-94.8	0	1621.52	-51.93	1569.59

(1) The 27.62 acres is the former drainage way across at Tivoli Village and the drainage way land just to the west of Tivoli and to the east of the golf course as reflected in the 1990 Master Plan which drainage way has gone away as it has been put into culverts. When the 27.62 acres is subtracted from the 1989 207.1 acres for golf course/drainage, it provides the first 18-holes golf course acreage of 179.48 plus an additional 4.5 acres became part of golf course designated land in the 1990 Master Plan.

(2) As narrated in the 1990 Master Plan's page 1

(3) As narrated in the 1990 Master Plan's page 3

(4) A large portion of the 30.1 ROW acreages removed from the Plan were in relationship to the removal of land in the 1990 Master Plan from the Overall Master Plan.

(5) Included in the Neighborhood Commercial/Office line item

(6) Included in the Multi-Family line item

PRJ-63491
02/25/16

MOD-63600, GPA-63599, ZON-63601 and DIR-63602

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EXHIBIT Q
PECCOLE RANCH MASTER PLAN

LAND USE DATA

1990 APPROVED MASTER PLAN ACREAGE AND DWELLING UNIT DATA

LAND USE	PHASE ONE (3)		PHASE TWO (4)		TOTAL (posted to Exhibit P's last column and to Exhibit T's, 1st and 2nd charts)			
	ACRES	DU/AC	ACRES	DU/AC	ACRES	DU/AC	UNITS	
Single-Family	328.49	7	2298	401	7	2807	7	5106
Multi-Family	80.95	28.38	2297	60	24	1440	27	3737
Mixed Use Village Center								
*Commercial, Office - 40 acres (5)								
*Multi-Family - 35.56 acres (6)								
Neighborhood Commercial/Office	42.75			194.3				237.05
Resort-Casino	0			56				56.0
Nursing Home	8.25			0				8.25
Golf Course				183.98				183.98
Open Space/Drainage (2)	41.47			27.62				69.09
Right-of-Way	53.97			60.4				114.37
Schools	17.34			13.1				30.44
TOTAL	573.22	8.02	4596	996.4	4.26	4247	1,569.6	8843

- (1) Intentionally left blank
- (2) Phase Two Open Space/Drainage 27.62 acres is the drainage acreage that ran through a large portion of what is now Tivoli Village, which drainage acreage does not now exist because it is contained in a culvert, plus acreage that in the 1990 Master Plan was reflected between the east end of the golf course and Rampart, which is As-built as part of the golf course acreage and, the 7.1 acres for the two drainage way areas east of Hualapai in the Phase Two land that lies south of Charleston.
- (3) From page 5 of the 1990 Master Plan
- (4) From page 18 of the 1990 Master Plan
- (5) Included in the Neighborhood Commercial/Office line item
- (6) Included in the Multi-Family line item

PRJ-63491
02/25/16

MOD-63600, GPA-63599, ZON-63601 and DIR-63602

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EXHIBIT S
PECCOLE RANCH MASTER PLAN
LAND USE DATA

MASTER PLAN WITH ITS FEBRUARY 2016 AS BUILT EXCEPT THE 250.92 ACRES CURRENTLY USED AS GOLF COURSE
ARE SHOWN WITH THEIR REPURPOSED SINGLE FAMILY AND MULTI-FAMILY USES IN THIS 2016 MASTER PLAN

LAND USE	PHASE ONE		PHASE TWO		TOTAL (posted to Exhibit T, 2nd chart)	
	ACRES	DU/AC	ACRES	DU/AC	ACRES	DU/AC
Single-Family (1) (4)	351.03	5.45	1913	4.29	1847	4.81
Single-Family: Repurposed (1) (4)	0	0	183.7	367	183.71	2
Multi-Family (2)	73.01	22.54	1646	22.32	1057	22.46
Multi-Family: Repurposed (2)			67.22	44.93	3020	44.93
Mixed Use Village Center (3)			0	0		
*Commercial, Office - 40 acres						
*Multi-Family - 35.56 acres						
Neighborhood Commercial/Office	58.88		120.18		179.06	
Resort-Casino			52.49		52.49	
Nursing Home			0		0	
Open Space/Drainage	29.9		15		44.9	
Right-of-Way	51.5		61.1		112.6	
Schools	9.83		0		9.83	
TOTAL	574.15	6.20	3559	6.43	6291	6.35

(1) Phase Two Single Family's acres are the 430.66 acres As-built and the 2016 Master Plan's repurposed 183.7 acres. The Phase Two Single-Family Units are the As-built 1847 Single-Family Units and the 183.7 repurposed acres (at R-E Rezoning's 367 Units) ; notwithstanding the Applicants have chosen for conservation purposes to build a maximum of 60 home sites.

(2) Phase Two Multi-Family's acres are the 47.36 acres As-built and the repurposed 67.21 acres at R-4 Zoning. Phase Two Multi-Family Units are the As-built 1057 Units plus the 3,020 Units on the repurposed 67.21 acres.

(3) This Mixed Use Village Center's Commercial and Multi-Family acreages and Units are included in the Neighborhood Commercial/Office and Multi-Family line items, respectively.

(4) If the 183.7 acres were built with their current R-PD7 zoning the Phase Two number of Units, instead of 2214 would be 3223 Units (1847 As-built Units plus 1376 Units being 183.7 acres @ 7.49 Units per acre).

PRJ-63491
03/14/16

MOD-63600, GPA-63599, ZON-63601 and DIR-63602

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EXHIBIT T
PECCOLE RANCH MASTER PLAN
LAND USE DATA
MASTER PLAN COMPARATIVE CHARTS

LAND USE	1990 APPROVED MASTER PLAN VERSUS 2016 AS-BUILT							EXCEPT 250.92 ACRES WITH RESIDENTIAL USES (2016 MASTER PLAN-NOTE J)											
	ACRES			DU/AC			UNITS	ACRES			DU/AC			UNITS					
	1990 MASTER PLAN	2016 AS-BUILT	VARIANCE	1990 MASTER PLAN	2016 AS-BUILT	VARIANCE		1990 MASTER PLAN	2016 AS-BUILT	VARIANCE	1990 MASTER PLAN	2016 AS-BUILT	VARIANCE						
Single-Family	729.49	781.69	52.2	7	4.81	-2.2	5106	3760	-1346	729.49	781.69	52.2	7	4.81	-2.2	5106	3760	-1346	
Multi-Family	140.92	120.37	-20.55	27	22.46	-4.1	3737	2703	-1034	140.92	120.37	-20.55	27	22.46	-4.1	3737	2703	-1034	
Multi-Family: Repurposed																			
Mixed Use Village Center																			
*Commercial, Office - 40 acres																			
*Multi-Family - 35.56 acres																			
Neighborhood Commercial/Office	237.05	179.06	-57.99							237.05	179.06	-57.99							
Resort-Cashio	56.0	52.5	-3.5							56.0	52.5	-3.5							
Nursing Home	8.25	0	-8.25							8.25	0	-8.25							
Golf Course	183.98	250.92	66.94							183.98	250.92	66.94							
Open Space/Drainage	69.09	44.9	-24.19							69.09	44.9	-24.19							
Right-of-Way	114.37	112.6	-1.77							114.37	112.6	-1.77							
Schools	30.44	9.83	-20.61							30.44	9.83	-20.61							
Difference			-0.1									-0.1							
SUBTOTAL	1,569.6	1,551.9	-17.8	5.63	4.12	-1.42	8843	6463	-2380	1,569.6	1,551.9	-17.8	5.63	4.12	-1.42	8843	6463	-2380	
THE 155.7 ACRES SINGLE-FAMILY R/E ZONING PERMITS 367 DU'S (20U/AC); HOWEVER, THE APPLICANTS HAVE CHOSEN FOR CONSERVATION PURPOSES TO ONLY BUILD A MAXIMUM OF 60 HOMESITES.																			
TOTAL																			

NOTE 1: 2016 Master Plan is the Peccole Ranch Master Plan's As-Built's, except the 253.29 acres currently operated as golf courses, are shown with their repurposed uses, namely, 183.7 acres as single family R/E zoning with 367 units and 67.21 acres with 3020 multi-family units.

PRJ-63491
03/14/16

MOD-63600, GPA-63599, ZON-63601 and DIR-63602

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26032

Residential Development Standards as to Property Only

These Development Standards apply to the Property only. While more specific development standards will be created as the development process moves forward, the standards set forth herein, and in the Development Agreement, will supersede and replace the standards in effect under the City of Las Vegas Municipal Code pertaining to R-E Residence Estates District (19.06.060) and the R-4 High Density Residential District (19.06.060). Any matter not specifically addressed in these Development Standards shall be governed by the Development Agreement. If that matter is not addressed in the Development Agreement, then Title 19 of the Las Vegas Municipal Code shall apply.

Description	R-E Residence Estates	R-4 High Density Residential
Building Placement		
Minimum Lot Size	44,000 sf	7,000 sf
Dwelling Units Per Acre	2 (Applicants have chosen for conservation purposes not to allow more than 1 unit per acre)	See Exhibit J-2
Maximum Lot Coverage:		No limitations or restrictions
1 acre lot	50%	
3 acre lot	33%	
5 acre lot	25%	
> 5 acre lot	25%	
Setbacks:	Lot coverages for lot sizes not listed herein will be correspondingly sized. For lots smaller than 1.5 acres, pool and related structures and hardscape can be constructed outside the developable area.	No other limitations or restrictions shall apply with regard to building placement, except all buildings shall be set back 60' from any existing residence.
Minimum Front Yard Setback - public streets	50'	
Minimum Front Yard Setback - private streets	30'	
Minimum Side Yard Setback	10'	
Minimum Corner Side Yard Setback	15'	
Minimum Rear Yard Setback	35'	
Minimum Distance between Buildings		No limitations or restrictions

PRJ-63491
02/25/16

MOD-63600, GPA-63599, ZON-63601 and DIR-63602

ROR025947

26033

Residential Development Standards as to Property Only

These Development Standards apply to the Property only. While more specific development standards will be created as the development process moves forward, the standards set forth herein, and in the Development Agreement, will supersede and replace the standards in effect under the City of Las Vegas Municipal Code pertaining to R-E Residence Estates District (19.06.060) and the R-4 High Density Residential District (19.06.060). Any matter not specifically addressed in these Development Standards shall be governed by the Development Agreement. If that matter is not addressed in the Development Agreement, then Title 19 of the Las Vegas Municipal Code shall apply.

Description	R-E Residence Estates	R-4 High Density Residential
Accessory Structures	All accessory structures can be stand alone or attached, and each accessory structure may have separate kitchen facilities. Multiple accessory structures on the same home site are permitted. none required	
Separation from Main Building		6'
Minimum Corner Side Yard Setback	15'	5'
Minimum Rear Yard Setback	10'	3'
Minimum Side Yard Setback	10'	3'
Size and Coverage	Not to exceed 60% of the rear and side yard areas.	No limitations or restrictions
Building Height		
Stories/Floors	3 maximum over basement	N/A
Flat Roof	50' max. measured to top of roof coping	55' Max. for 4 story structures; 75' Max. for 6 story structures and 250' Max. for tower structures; all measured from podium to the top of the roof coping of flat roof.
Pitch Roof	50' max. measured to the midpoint between the eaves and the ridge line.	55' Max. for 4 story structures; 75' Max. for 6 story structures and 250' Max. for tower structures; all measured from podium to the midpoint between the eaves and ridge line of pitch roof.
Accessory Structures	Lesser of 3 stories or 50'	No higher than height of the principal dwelling

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Description	R-E Residence Estates	R-4 High Density Residential
<u>Patio Cover</u>	No restriction except 5' setback from property lines	No limitations or restrictions
<u>Landscape Buffers & Turf Limitations</u> Landscape Buffer - Minimum Zone Depths	6' adjacent to ROW 0' to Interior Lot Lines	No limitations or restrictions
<u>Impermeable Surfaces</u>	Minimized to reduce storm water quality mg't impacts	
<u>Front Yard Area-turf coverage</u>	No limitation	
<u>Front Yard Wall/Fence</u>	No limitations or restrictions apply to Front Yard Wall/Fence, except the maximum height of primary wall is 12 feet, with a maximum solid wall base height of 8 feet.	No limitations or restrictions shall apply to Fences and Walls except for twelve (12) foot limitation on hard mapped property lines.
<u>Perimeter and Retaining Walls</u>	No limitations or restrictions shall apply to Perimeter and Retaining Walls, except the maximum Perimeter Wall height is 12 feet and the maximum retaining wall height is 8 feet.	No limitations or restrictions shall apply to Perimeter and Retaining Walls, except the maximum Perimeter Wall height is 12 feet and the maximum retaining wall height is 8 feet.
<u>Perimeter and Retaining Walls - Standard Step Back</u>	No limitations or restrictions shall apply to Perimeter and Retaining Walls Standard Step back.	No limitations or restrictions shall apply to Perimeter and Retaining Walls Standard Step back.
<u>Minimum Width of Conservation easement</u>	To be determined at time of lot layout.	

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N/A

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26035

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Description <u>Parking</u>	R-E Residence Estates	R-4 High Density Residential
		Minimum On-Site Parking Requirement—Multifamily Residential: 1.25 spaces per studio or one bedroom unit; 1.75 spaces per two bedroom unit; 2.0 spaces per three or more bedroom unit, plus one guest parking space per six units. No other limitations or restrictions apply.

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02/25/16

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