

Public Purpose/Impact Analysis

July 11, 2007

Title of Project: Second Amendment to Ground Lease and Development Agreement with Option to Purchase between the City of Las Vegas and 601 Fremont, LLC (601 Fremont Street APN 139-34-611-008)

Project Description: The Developer and the City of Las Vegas would like to amend the original Agreement that was executed August 9, 2005. This Second Amendment will (1) provide the City with more approval rights for the end user of the existing building and ensure that there is a tavern-limited license entertainment venue open for business; (2) revises the purchase price escalator schedule for the Entertainment Site and the Adjacent Site to August 2008 and August 2010, respectively; and (3) the Developer will provide the city with an Election Notice for development of the Adjacent Site (surface lot) by August 2012 before Developer exercises right to purchase Adjacent Site. Developer must be construction-ready for a 200-unit hotel project with 10,000 sq. ft. of commercial space before closing on purchase of the Adjacent Site.

Sponsor/Developer: Louis Birdman, Managing Member of 601 Fremont, LLC

Assistance Provided by: City of Las Vegas

Number of Direct Jobs Created: The tavern-limited license business will employ approximately 12 Full-time and 38 Part-time employees. Once up and running, the hotel will employ approximately 150 employees.

Number of Indirect Jobs Created: Employment is based on those trades that will be utilized to complete this project. Trades to be utilized for this project will include electrical, construction, landscaping, structural, painting, and signage.

Number of Direct Jobs Retained: Not Applicable

Pertinent Statutes Used for Public Purpose:

In accordance with NRS 268.048 Acquisition, sale or lease of real property by certain cities for industrial development; notice; hearing; option to purchase property.

How Does the Project Benefit the Public:

The property is located at 601 Fremont Street. It is also located in the Fremont East District, an Entertainment District that was created by ordinance in 2002. The proposed entertainment venue (Phase 1) will further the Redevelopment Agency's efforts to continue with the revitalization of this area. Approximately 12 full-time jobs and 38 part-time jobs will be created. Additionally, the project will require the appropriate trade businesses to provide construction/renovations services for the project. Upon completion, the project will provide increased economic activity within the Entertainment District and increased resources to the City and Agency for other projects within the surrounding neighborhood. With an increasing number of entertainment venues opening in the Entertainment District, high-rise residential projects will be more likely to provide either rental or ownership opportunities for residents. Furthermore, once Phase 2 is completed, the boutique hotel, more jobs will be created and increased resources will be available to the City and Agency.

Quantitative Economic Benefits:

Developer is required to pay all assessments for Special Improvement Districts (SID). SID 1506 will cost \$175,657 over a 20 year period and SID 1516 is an annual assessment that is currently \$21,850 and is adjusted every year; estimated annual property tax is \$44,390 whenever the property gets onto the County tax rolls. For Phase 1 (Entertainment Venue), the nominal value is estimated at \$880,000, or approximate Net Present Value of \$548,337.

For Phase 2, the taxable value is approximately \$32.5 million. Approximate annual property tax generated for Phase 1 and 2 is \$126,280. Over 20 years, the nominal value is \$2,525,600, with the Net Present Value at \$1,573,728 (using a 5% Discount Rate).

Private Investment:

Tenant improvements by the Developer and entertainment venue owner will be approximately \$2.5 to \$3.0 million. For the hotel phase, at a conservative estimate of \$125,000 per unit, the build-out costs are \$25,000,000. Parking garage at \$20,000 per space (300) totals \$6 million; and 10,000 sq. ft. of retail at \$150/sq. ft., totals \$1.5 million. Total = \$32.5 million for (Phase 2)

Public Investment:

Phase 1: Discount on lease, Year 1 through Year 3 = \$64,800. Phase 2 and beyond at time of original Agreement the sale price of the property was \$4.8 million. In 2000, the appraised value of the property was \$5.1 million. Include the 3% increase in property value at time of original Agreement raises the value of the property to approximately \$5.9 million. Thus, the City is contributing a maximum of \$1.1 million, plus the discounted rent. The City's basis in the building is \$1,196,500, thus the City is generating a net gain of approximately \$3.6 million.

Return on Investment (land purchase only) = 301% [$\$3,600,000 / \$1,196,500$]

Total direct Economic Impact:

Undetermined.

Total Indirect Economic Impact:

Not measurable at this time. However, with the opening of the tavern-limited license business, there will be an increase of economic activity throughout the Fremont East District. Along with this increased economic activity and renovation of an existing building, there will be a corresponding increase in economic investment by interested businesses and property owners throughout the surrounding neighborhood.

Economic Impact Study Performed: Yes No

Return on Investment Analysis Performed: Yes No