CITY OF LAS VEGAS

DEVELOPER SPECIAL IMPROVEMENT DISTRICT GUIDELINES

August, 2007

TABLE OF CONTENTS

CITY OF LAS VEGAS
Developer Special Improvement District Guidelines

CITY OF LAS VEGAS
Developer Special Improvement District Guidelines

Chapter 271 of Nevada Revised Statutes (hereinafter NRS), authorizes the City of Las Vegas (hereinafter "City") to construct and/or acquire improve, equip, operate and maintain street, sidewalk, water, sewer, curb, gutter, flood control and other publicly-owned "infrastructure" improvements that benefit new development by the creation of a Special Improvement District (hereinafter "SID") as specified in NRS 271.265.

The purpose of these guidelines is to outline the circumstances under which the City will consider this type of financing for new developments involving one, or a small number of private property owners, who intend to develop their property for residential, commercial, industrial, or other beneficial uses.

Except as provided below, these guidelines apply to all SID's financed under NRS 271.700 through 271.730 and to all other assessment districts which **both** involve 15 or fewer property owners **and** involve properties 85% or more of which are unimproved, and the value of the property to be assessed "as is" (without considering the improvements to be installed or further subdivision), as shown in the records of the County Assessor or by an appraisal acceptable to the City, is less than three times the amount of the proposed assessment. These guidelines do not apply: (a) if 50% or more of the cost of the project proposed to be funded is being funded from a governmental source other than special assessments or the proceeds of special assessment bonds (e.g., Regional Transportation Commission Funding); or (b) if the SID is initiated by the provisional order method on recommendation of the Director of Public Works after consultation with the Department of Finance. These guidelines also do not apply to districts that were initiated by action of the City Council prior to the adoption of these guidelines.

The City Council reserves the right, on a case by case basis, to impose additional requirements or waive any of the specific requirements listed herein. Such waived requirements or additional requirements shall be noted in a resolution or ordinance adopted by the City Council, together with a finding that the deviation from this policy is in the best interest of the City. The City will consider the impact of issuing bonds under these guidelines on its overall tax supported debt ratios and bond ratings.

A. Eligible Improvements

1. Regional Improvements. The City will consider financing only regional infrastructure improvements. Regional infrastructure improvements are those streets, storm drains, flood control, water systems, sewer and other utilities, which will provide benefit to the entire project. Such projects are those which the City Council has determined will benefit the general area in which the development is located as opposed to improvements, which exclusively benefit a particular subdivision. Only that portion of the total cost which benefits the SID will be assessed. Thus, an arterial street or highway or major sewers, storm drains and water lines which provide benefit to the entire project and

are found to be of general or regional benefit by the City Council, would be considered for financing.

2. Public Ownership Requirements. Only publicly-owned infrastructure is eligible for financing. Privately-owned improvements such as electric, gas, and cable television improvements, streets or roads which are not dedicated to the City, and private portions of other improvements, such as water and sewer service lines from the property lines to the home or other structure are not eligible for financing.

3. Benefit. The improvements proposed to be constructed must benefit the property assessed by an amount at least equal to the amount of the assessment.

4. Subdivision Improvements. The City will not consider financing "subdivision" or "in-tract" improvements, that is, improvements within a subdivision that benefit only the land within a subdivision i.e., such as neighborhood streets.

5. Size. Generally, the City will not consider stand alone assessment districts which involve less than $3,000,000.

B. Environmental Matters

1. A Phase 1 environmental assessment (hazardous waste assessment) must be conducted, by the owner, for the property to be assessed and prior to any improvements being placed and property to be dedicated to the City. The property owner must also provide the City with an indemnification agreement in a form acceptable by and provided by the City, promising to indemnify the City against any and all liability and/or costs associated with any environmental hazards located on such property. With respect to abating environmental hazards that are located on property on which improvements financed with the SID are proposed to be located on the property to be assessed or on any property dedicated to the City, the City and the property owner will reach an accord before the bonds are issued. Where the Phase 1 environmental assessment indicates that there may be an environmental hazard on any such assessed property, the property owner will be required to completely abate the problem or to post security for environmental clean up costs prior to the City proceeding with the Special Improvement District. The environmental assessment shall be performed by an Environmental Engineer acceptable to the City prior to the creation of the Special Improvement District.

2. The Developer must undertake all steps required by the "Habitat Conservation Plan Compliance Report" or other future federal requirements in the project area and other areas owned by the same Developer which are used in connection with the Project.

C. Development

1. Property Owner Experience and Financial Information. The property owner must demonstrate to the City that it has the expertise and financial resources to develop the property involved in the Special Improvement District. In order to demonstrate its ability to develop, the property owner should furnish the City with the following: (a) its last three years prior audited financial statements, (b) a list of any other prior development projects of similar or larger size, which the property owner has completed, (c) a list of references consisting of the names, addresses and telephone numbers of officials of other political subdivisions in which the property owner has completed similar or larger sized developments, (d) a description of any financial obligations on which the property owner or related party has defaulted in the past ten years, including any non-recourse or assessment financing on property owned by the property owner or related party with respect to which a payment was not timely made, and (e) evidence that the property owner has the financing to proceed with the development. (This evidence could consist of a commitment letter from a bank or other financial institution or other evidence that the property owner has sufficient resources in its bank accounts and other investments to commence and complete development.) The City will accept, in lieu of the audited financial statements required in (a) above, a comfort letter from a mutually acceptable CPA firm demonstrating for the past three (3) consecutive years: (1) a minimum level of net worth acceptable to the City, has been maintained by the property owner; (2) whether there have been any material adverse changes in the property owner's operations; and (3) whether or not there have been any exceptions in the accountant's opinion letter on the property owner's financial statements. If this alternative is utilized, the property owner shall also provide such other financial information as the City and its consultant's request.

2. Financing Completion; Equity. The property owner must provide the City with its plan for financing the proposed development to completion and advise the City of the amount of equity it has invested in the proposed development. Before bonds are issued, the property owner must provide evidence acceptable to the City of its ability (e.g., a commitment letter from a lending institution) and/or plan to finance the portion of the development expected to be completed in the ensuing 12 months.

3. Land Use. The proposed development must be consistent with the City's General Plan. The property owner must demonstrate that it reasonably expects to obtain the required discretionary development permits (e.g. subdivision) in sufficient time to proceed with the development to completion as proposed. Proper zoning must have been obtained by the property owner for the development.

4. Water, Sewer, and Other Utilities. The property owner must provide "will serve" or similar letters from the entities providing water, sewer and other utility (i.e., electricity, gas, telephone) services to the development stating that capacity is then in existence and reserved, etc. otherwise to be made available, for the development in a sufficient quantity for the development to proceed to completion as proposed.

5. Other Permits. The property owner must demonstrate that there are no significant permitting requirements which could result in substantial delay or alteration in the project as proposed, e.g., wetlands permits, archeological permits, etc. applicable to the project or other governmental impediments to development which have not yet been satisfied and which are required to be satisfied for the development to proceed to completion as proposed.

D. Assessment Bonds and Bond Security

1. Primary Security. The primary security for bonds will be the assessment lien on the land proposed to be assessed. A preliminary title report indicating that the petitioners are the owners of 100% of the assessed property must accompany the petition. The City may also require ALTA title insurance in an amount equal to the bonds on a case by case basis.

2. Reserve Fund. A reserve fund in an amount equal to the lesser of one year's principal and interest on the bonds or 10% of the proceeds of the bonds must be funded at the time bonds are issued or in an amount to be determined by the City.

3. Appraisal Valuation. The property owner must provide the City with funds with which to have an expert prepare an appraisal. The appraiser will be selected by and contracted with, the City. The property owner must demonstrate to the City that there is no significant financial risk to the City in issuing the bonds. The City will require that an appraisal of the property which will be assessed indicates that the appraised value of the property "as is" (prior to further subdivision and without considering the installation of the improvements) is at least 1.15 times the amount of the bonds proposed to be issued, and that the value of the property after the improvements financed with the assessment bonds are installed is at least three (3) times the amount of the bonds proposed to be issued.

4. Absorption Study. The property owner must provide the City with funds with which to have an expert prepare an absorption study. The City shall select and contract with the expert to prepare the absorption study illustrating the estimated length of time required for the purposed end product (houses, commercial space, etc.) to be absorbed into the marketplace. The absorption study will be based upon supply and demand trends and estimated conditions in the market area for the proposed product mix. Provided, however, that if the appraiser of the real property for the project conducts his or her own absorption analysis, such absorption study may be accepted in lieu of this requirement. The appraiser may be required to provide an opinion on the reasonableness of the absorption analysis if it is included as part of the report.

5. Additional Security. The property owner must demonstrate to the satisfaction of the City, that there is not significant financial risk to the City in issuing the bonds. If the City determines that it is not adequately protected by the security described in section D (1), (2), and (3) above, the City can require additional security as it deems necessary. This additional security may be satisfied in one or a combination of the following ways:

(a) Providing a source of security that is acceptable to the City Council and the property owner. The determination of the acceptability of the security shall be discussed with the property owner on a case by case basis.

(b) Providing an irrevocable letter of credit drawn on an acceptable bank in a form and an amount and with a term acceptable to the City.

(c) Pledging marketable securities in which form the City is permitted to invest City funds pursuant to NRS Chapters 355 and 356 and which are acceptable to the City, e.g., U.S. Treasury Obligations, and in an amount that is acceptable to the City. The City must obtain the sole first priority security interest in the pledged securities, and those securities must be held by the City or an Agent of the City. Interest paid on the pledged securities, if there is no default in paying the assessment, will be paid to the owner of the securities.

A pro-rata portion of the foregoing "Additional Security" will be released with respect to any parcel assessed: (1) which has been improved in any manner if the appraised value (as determined by an appraiser acceptable to the City) of the parcel is 5.0 or more times the amount of the unpaid assessment on such parcel, (2) on which a substantial improvement (e.g., a home or commercial building) has been competed if the parcel has a size of one acre or less, or (3) to the extent that property is conveyed to one or more third-party property owners, then a proportionate amount of the foregoing additional security shall be released with respect to such conveyed property so long as such conveyed property does not exceed, in the aggregate, thirty percent (30%) of the entire property included within the SID; provided, however, that any individual parcel conveyed to each such third-party property owner shall have a minimum value-to-lien ration of 3:1.

6. Payment of Assessments; Capitalized Interest. The assessments shall be payable over not more than 30 years in substantially equal semiannual installments (excluding variable rate bonds with regards to equal payments) generally commencing within one year of the levy of assessments. The City will allow not more than two years of interest or the maximum permitted under federal tax laws, whichever is less, to be capitalized.

7. Floating Rate Bonds. The City will consider applications for floating rate assessment bonds only if those bonds and the assessments underlying those bonds automatically convert to a fixed interest rate at or before the time the initial property owner sells property, regardless of whether the sale is a wholesale sale to the merchant builder or a developer or a sale to a potential homeowner. Floating rate bonds must be secured by a letter of credit issued by a bank acceptable to the City.

8. No Pledge of General Fund or Taxing Power. The City will not pledge its general fund, surplus and deficiency fund or taxing power to bonds issued for SID's created pursuant to these guidelines. All statements and materials related to the sale

of such local improvement bonds shall emphasize and state that neither the faith, credit not the taxing power of the City of Las Vegas is pledged to the repayment of the bonds, nor is there an obligation of the City to replenish any funds connected thereto from revenue sources other than annual assessments or proceeds from sale or foreclosure proceedings.

9. Bond Underwriting Commitment. The property owner must demonstrate to the City and its financial advisor that bonds proposed to be issued for the financing are saleable. Prior to the time the City commences work on the SID, the property owner must provide the City with a letter from a reputable underwriter or bond buyer, acceptable to the City, which states that the underwriter has completed a due diligence review of the project and the property owner and believes that the bonds are marketable at an interest rate acceptable to the property owner based on then prevailing market conditions and that is willing, subject to reasonable conditions precedent, to contract with the City to underwrite the bonds on a best efforts basis, or that the bond buyer has completed a due diligence review of the project and the property owner and intend to acquire the bonds at an interest rate which the bond buyer and property owner agree is acceptable and that it is willing, to contract with the City to so acquire the bonds.

E. Consultants. The City will permit the property owner to choose the consulting engineers and underwriter provided that the entities chosen are acceptable to the City. The City will select the assessment engineer, project management engineer, its financial consultants, bond counsel and bond trustee. The payment of all fees and expenses of these consultants shall be the responsibility of the property owner; however, these consultants will be responsible to, and will act as consultants to, the City in connection with the district.

F. Expenses. The property owner will be required to pay from its funds all of costs of the project prior to the time bonds are issued, including the costs of Consulting Engineers, Assessment Engineers, Project Management Engineers, Underwriters, the City's financial consultants, the City's Bond Counsel, and the costs of preparing the appraisals, absorption study, environmental review and other matters listed above. These items will be eligible for reimbursement from bond proceeds if the bonds are ultimately issued. However, the property owner must pay these costs even if bonds are not issued. At the time of application, the City will provide an estimate for these expenses in order to enable the developer to more precisely anticipate costs associated with the process.

G. Project Acquisition. The City will acquire completed projects after final inspection by the City, an audit by the City Assessment Engineer and City staff, and acceptance by the City. Unless approved by the Finance Director, the City will only acquire discreet complete projects whose cost together with the cost of other complete discreet projects being acquired at the same time is $250,000 or more. The City will only do acquisition districts.

H. Cost Overruns. The property owner must agree to fund all project costs which exceed the amount available from the proceeds of the bonds issued for the project.

The City will not commit to issue additional bonds or otherwise provide funding for any such cost overruns.

I. Continuing Disclosure Reports. The property owner will prepare and distribute, at their own expense, reports associated with SEC 15(c)2-12.

J. Procedure.

1. Pre-Application Meeting. Initially, the property owner shall schedule a meeting with such representatives of the City, as are designated by the City Manager, to review the proposed development to discuss whether the development is one which may be eligible for financing under these guidelines.

2. Application. If the property owner decides to proceed after the initial meeting, all owners of record of property in the proposed district must sign a petition for the SID and file the petition and an application which contains sufficient information and exhibits to demonstrate that the proposed SID will comply with parts "A through I" of these guidelines. Copies of the petition and application must be filed with the office of the Director of Finance and the office of the Director of Public Works.

3. Council Approval. If after an initial review, the City staff believes the application satisfies parts "A through I" hereof, an item will be placed on the Council's agenda authorizing negotiations with respect to the proposed project. If this item is approved by the Council, it is anticipated that staff will be authorized to begin negotiating the particulars of the financing with the property owner and other appropriate parties.

4. Security for Costs. Prior to entering negotiations, the property owner must post a letter of credit, cash or other acceptable form of security for payments of the costs described in paragraph "F" above in an amount determined by the Director of Finance. The interest on the security will be paid to the developer. The City shall invest such security according to NRS Chapters 355 and 356.