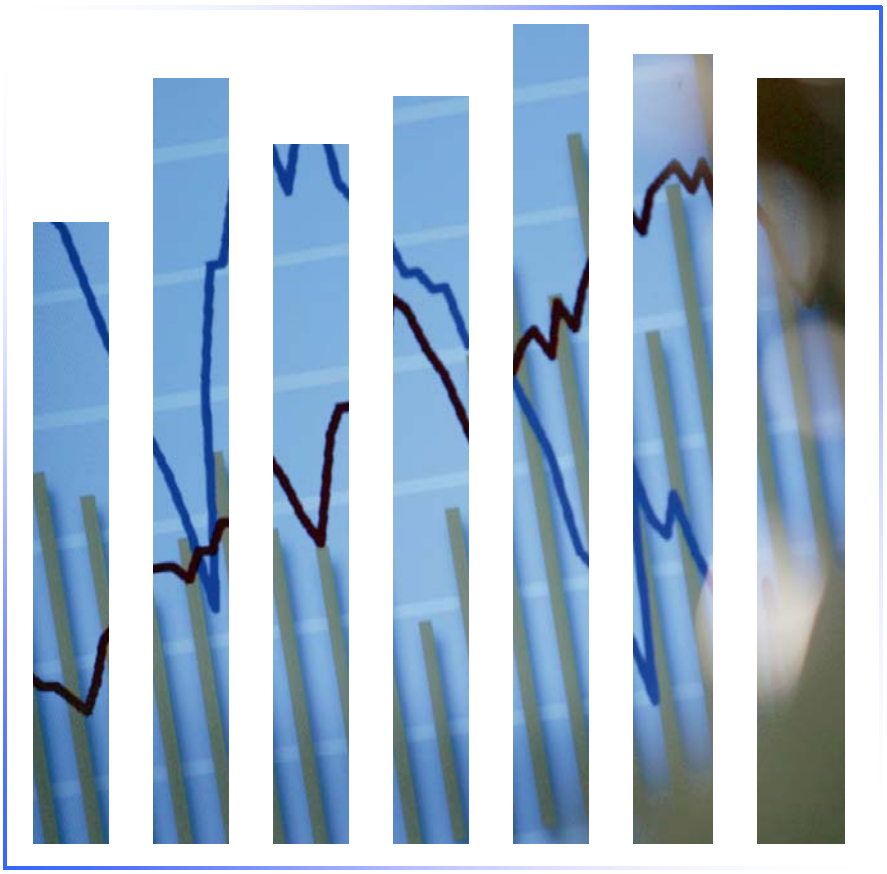
PROPOSED TOURISM IMPROVEMENT DISTRICT

AN ANALYSIS OF SELECTED REGULATORY REQUIREMENTS



Prepared for:

Prepared by:

NOVEMBER 30, 2008

(AMENDED FEBRUARY 27, 2009)

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November 30, 2008

City Council
City of Las Vegas
City Hall, Tenth Floor
400 Stewart Avenue
Las Vegas, Nevada 89101

Board of County Commissioners
Clark County
500 Grand Central Parkway
Las Vegas, Nevada 89106

Board of Trustees
Clark County School District
5100 West Sahara Avenue
Las Vegas, Nevada 89146

RE: Proposed Tourism Improvement District

Ladies and Gentlemen:

Applied Analysis ("AA") is pleased to present this executive summary report, *Proposed Tourism Improvement District: An Analysis of Selected Regulatory Requirements*, to the City of Las Vegas (the "City"), Clark County and Clark County School District. The City is in the process of working with CIM Group (the "Company") to create a tourism improvement district pursuant to Nevada Revised Statute (NRS) Chapter 271A – Tourism Improvements. The proposed tourism improvement district is comprised of approximately ±5.49 acres and is generally defined as the area located within the City that is bounded to the north by US-95, to the south by Stewart Avenue, to the east by 4th Street, and to the west by Casino Center Drive (the "District" or the "TID").

Assuming the District is created, NRS Chapter 271A provides for certain fiscal incentives, which are analyzed in detail in the accompanying report. These incentives are anticipated to fund selected improvements programmed within the District boundaries. Currently, these improvements include a multi-story parking garage, an open-aired public plaza, and other supporting improvements in the area. For purposes of this analysis, these improvements are hereafter referred to as the "Project".

In connection with the creation of the District, the Company is anticipating the land acquisition and construction of a mixed-use development located within the District. In addition to improvements contemplated for the Project, the mixed-use development is expected to incorporate various elements, including retail shops, a museum, professional office space, a hotel, other supporting uses, and a potential casino. For purposes of this analysis, the proposed improvements, including the Project, are hereafter referred to as the "Mixed-Use Development".

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The analysis contained herein does not determine the feasibility or appropriateness of the District, Project, Mixed-Use Development and/or any following financing structure (e.g., STAR bonds), rather it addresses specific questions as they relate to selected regulatory requirements. Specifically, this analysis addresses several key questions:

1. Will the Project and the financing thereof have a positive fiscal effect on the provision of local government services? *(addressing requirements outlined in NRS 271A.080.3(a) – (d))*

2. As a result of the Project, will retailers locate their businesses within the District and will there be a substantial increase in the proceeds from the sales and use taxes remitted by retailers within the District? (addressing requirements outlined in NRS 271A.080.6(a))

3. As a result of the Project, will the preponderance of the increase in proceeds from sales and use taxes be attributable to transactions with tourists who are not residents of the state of Nevada? (addressing requirements outlined in NRS 271A.080.6(b))

Based on representations of the Company, construction of the Project is an integral element of the overall Mixed-Use Development that is required to allow the Mixed-Use Development to move forward as currently programmed. Given the Mixed-Use Development's dependency on the Project, the three requirements identified above have been evaluated for the Mixed-Use Development.

This report summarizes our approach, the limitations of our research and our salient findings. This report was designed by AA in response to your request. However, we make no representations as to the adequacy of these procedures for all your purposes. Our findings and estimates are as of October 2008 (the most recent available dataset) and are dated as of the last day of our fieldwork (November 30, 2008). The information provided in this summary, and the conclusions reached herein, are based on the findings of our research and our knowledge of the market as of the date of this report. We have no responsibility to update this report for the events and circumstances that may occur after this date.

Our report contains demographic, employment, economic, fiscal, gaming, hotel and residential market data. This information was collected from third parties and is presented in this summary report; it was assembled by AA. While we have no reason to doubt the accuracy of the data reported herein or utilized in the formation of our findings, the information collected was not subjected to any auditing or review procedures by AA; and therefore, we make no representations or assurances as to its completeness.

Thank you again for allowing us to assist you with this important project. We welcome the opportunity to discuss this report with you at any time. Should you have any questions, please contact Jeremy Aguero or Brian Gordon at (702) 967-3333.

Sincerely,

Applied Analysis

Applied Analysis

Attachment

Urban Economics
Market Analysis
Financial Advisory Services
Public Policy
Hospitality & Gaming Industry
Information Technology

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APPLIED ANALYSIS

KEY FINDINGS

- The Mixed-Use Development is expected to generate identified and quantifiable public revenues of $32.4 million annually, with approximately 90.5 percent (or $29.3 million) remaining with public entities, with the balance inuring to the TID. Proceeds inuring to the TID will revert back to the City and are expected to be invested in the Project. It has yet to be determined if the Mixed-Use Development will include a casino. Assuming the casino is omitted, total public revenues remaining with public entities declines from $29.3 million to $23.1 million.

- With revenues only being half the equation, total incremental expenditures are expected to be $20.3 million annually. Assuming a casino is not developed, the total anticipated expenditures decline to $17.6 million annually.

- On a net basis, total revenues of $29.3 million (which excludes $3.1 million inuring to the TID) are expected to be offset by $20.3 million in incremental public costs resulting in $9.0 million of positive fiscal effects annually. The net positive fiscal effect is $5.4 million assuming the Mixed-Use Development excludes a casino.

Summary of Fiscal Impacts
After Allocation of Revenues to the District

	Including Casino	Excluding Casino
Revenue:		
Sales and Use Tax	$1,856,808	$1,856,808
Property Tax	$1,700,362	$1,584,622
Gaming Percentage Fees	$2,881,281	$0
Other Gaming Fees and Charges	$554,900	$0
Modified Business Tax	$452,706	$408,770
Transient Lodging Tax	$1,962,331	$1,962,331
Other State and Local Revenue (a)	$19,936,022	$17,245,729
Total Revenue	$29,344,411	$23,058,260
Expenditures:		
Education/Clark County School District	$953,420	$824,759
Police Protection/LVMPD	$652,230	$574,475
Fire and Rescue/Las Vegas Fire Department	$512,304	$455,472
Other State and Local Expenditures (a)	$18,224,805	$15,765,434
Total Expenditures	$20,342,759	$17,620,141
Net Fiscal Effect	**$9,001,651**	**$5,438,119**
Pro Forma Adjustment (a)	($1,711,217)	($1,480,294)
Pro Forma Adjusted Net Fiscal Effect (a)	**$7,290,434**	**$3,957,825**

(a) Other state and local revenues and expenditures reflect estimates of all government activity (excluding those specifically identified). The estimates are based on US Census of Governments datasets and account for all government activity. While the gross revenues and gross expenditure figures are material, the net impact is $1.7 million and $1.5 million in the including and excluding casino scenarios, respectively. A pro forma net fiscal effect excluding these items is presented for presentation purposes.

- The programmed development ($247.1 million) will have a positive effect on this relatively mature area, benefiting surrounding property owners.

- Retailers are expected to locate their businesses within the Project due to the market dynamics taking place within the immediate area, the locational attributes of the Project site, the critical mass of visitors expected in the area, and other factors.

- Based on the current spending profile of residents and consumers in the Mixed-Use Development's trade area, retail sales activity will be dominated by visitors at a rate of approximately 2 to 4 times resident spending. There will be a substantial increase in the proceeds from sales taxes attributable to transactions with tourists who are not residents of Nevada.

- In addition to the fiscal effects resulting from the Mixed-Use Development, there will be a material economic impact, adding significantly to the employment base, increasing the productivity of under-utilized property, and generating millions of dollars in state and local tax revenues.

- Including indirect and induced impacts of the Mixed-Use Development's development and construction, a total of 2,003 person-years[1] of employment is anticipated to be created, increasing aggregate personal incomes within Las Vegas by $73 million. Assuming a casino is not developed with the overall Mixed-Use Development, total employment impacts include 1,835 jobs and $66 million in wages and salaries.

- Assuming the Mixed-Use Development includes a casino, its on-going operations are anticipated to directly employ approximately 1,895 people who will earn approximately $85 million in wage and salary payments each year. Including indirect and induced impacts, the Mixed-Use Development is estimated to stimulate 3,123 employees within Clark County. Combined, these employees will earn $130 million annually in wage and salary payments. Total economic output sourced to the Mixed-Use Development is estimated at $333 million annually.

- Excluding a casino within the overall Mixed-Use Development design, on-going operations of the development are anticipated to directly employ approximately 1,639 people who will earn approximately $76 million in wage and salary payments each year. Including indirect and induced impacts, the Mixed-Use Development is estimated to stimulate 2,660 employees within Clark County. Combined, these employees will earn $114 million annually in wage and salary payments. Total economic output sourced to the Mixed-Use Development is estimated at $267 million annually.

[1] A person year of employment is defined as one person employed for one year.

Tourism Improvement District Location

The proposed TID is generally located in downtown Las Vegas within the boundaries of the City of Las Vegas. The exhibits that follow generally illustrate the location of the District and Mixed-Use Development, and its proximity to the region's central business/gaming district.

Exhibit 1
Market Area Map

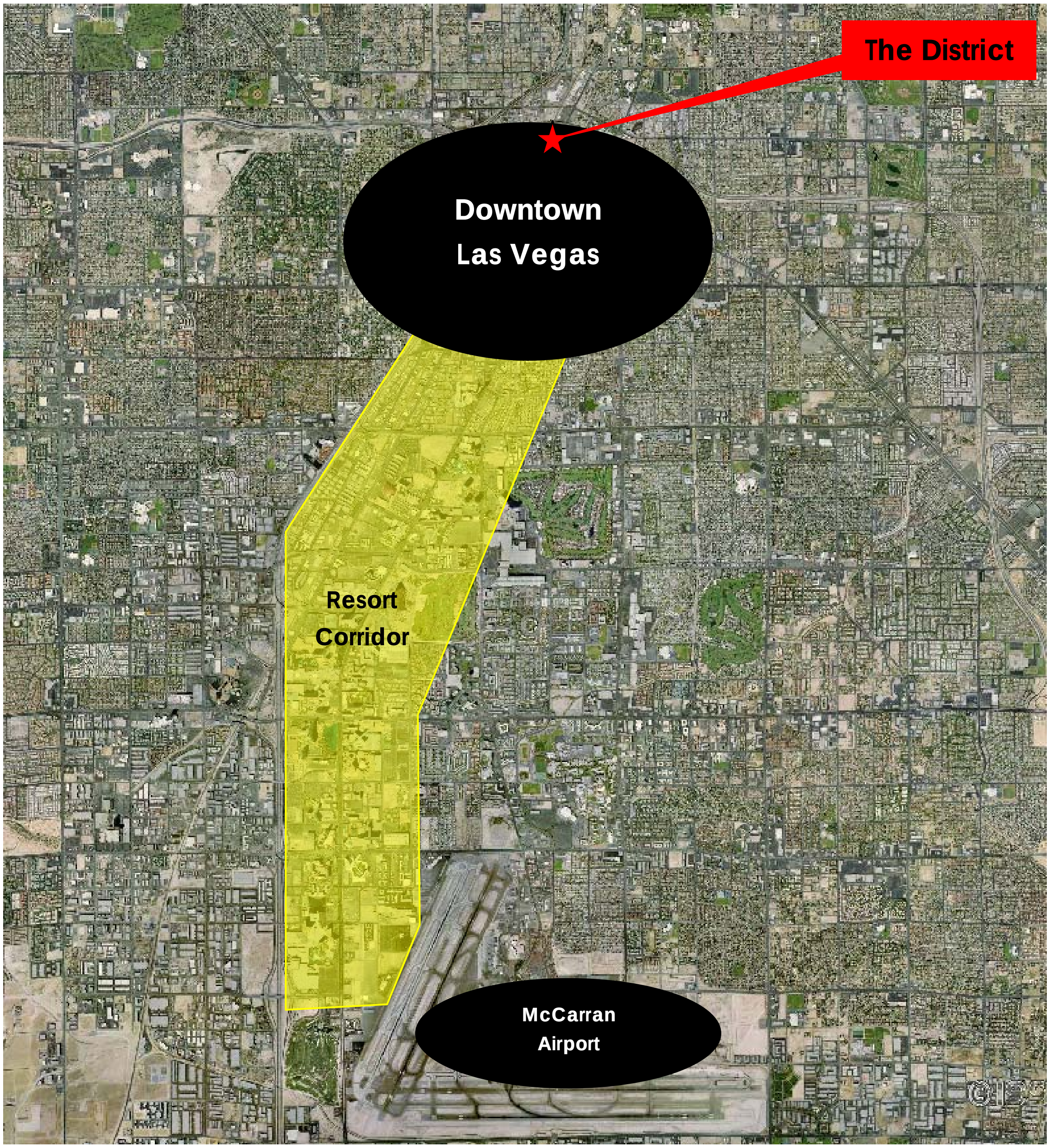
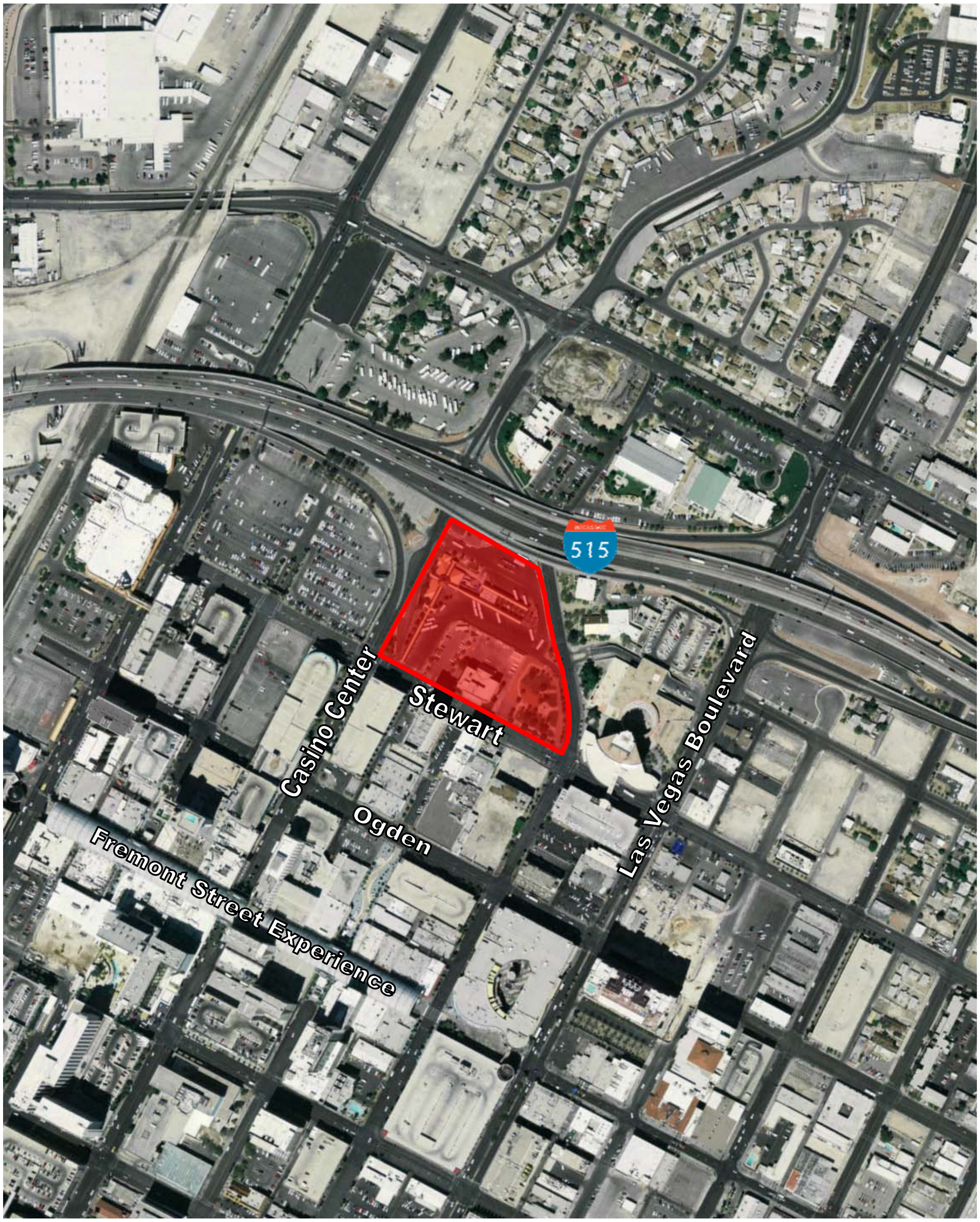


EXHIBIT 2
MIXED-USE DEVELOPMENT LOCATION MAP AND
APPROXIMATE PROPOSED TOURISM IMPROVEMENT DISTRICT (TID) BOUNDARIES



APPLIED ANALYSIS

MIXED-USE DEVELOPMENT PROGRAMMING

The proposed development is comprised of multiple uses with varying degrees of density and design. The following highlights the programmed elements and their approximate sizes, which will be located on ±5.49 acres. As with many projects in the pre-development stages, design elements are only summarily identified and will likely continue to be refined over time. Specifically, as of this date, it is unclear if casino gaming will be present within the TID. As such, the analysis contained herein reviews development programming with and without a casino.

Exhibit 3
Mixed-Use Development Programming

	Size (SF)	
Programming	**Gross**	**Net**
Retail	200,000	170,000
Museum/Pavilion (Former Post Office)	51,419	40,403
Office	150,000	142,500
Hotel	350,000	297,500
Casino	30,000	28,500
Total Improvements (SF), Including Casino	781,419	678,903
Total Improvements (SF), Excluding Casino	751,419	650,403

Exhibit 4
Mixed-Use Development Costs (in millions)
(Exclusive of Infrastructure Costs)

Element	**Including Casino**	**Excluding Casino**
Land (a)	$28.0	$14.0
Hard Costs	$178.8	$163.8
Soft Costs	$29.3	$26.9
Financing Costs	$10.9	$10.0
Total Investment	$247.1	$214.7

(a) Land values based on City's appraisal and contracted price.

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REVENUE IMPACT ANALYSIS

Nevada has several hundred taxes, fees, exactions and charges that are levied on businesses, residents and visitors. The vast majority of collections, however, can be sourced to three primary levies: 1) *retail sales and use tax,* 2) *ad valorem (property) tax*, and 3) *gaming tax*. Combined, these sources account for nearly 70 percent of all state and local own-source tax revenues. In this section, we consider these three primary sources as well as several other public revenue generators (e.g., modified business tax and transient lodging taxes). Taxes inuring to the federal government, while significant, are omitted from this analysis as our scope of work is specific to state and local impacts.

In this analysis, fiscal impacts reflect only the direct consequence of the proposed development. This approach is a function of the "near impossibility" of accurately predicting the secondary fiscal consequences of growth as well as the potential for double counting.[2] As such, the impacts cited herein should be considered conservative, order-of-magnitude estimates. Additionally, this analysis reviews the fiscal impacts associated with the Mixed-Use Development's operation upon completion of construction. Fiscal impacts during the construction phase are expected to be negligible relative to the recurring impacts associated with a going concern.

RETAIL SALES AND USE TAXES

In Nevada, retail sales and use taxes are imposed on the sale of tangible personal property not specifically exempted by statute.[3] A companion "use" tax is levied on property purchased outside the state and brought into the state for use. The combined total rate in Clark County is 7.75 percent. A breakdown of this levy and its distributions are provided in the table that follows.

[2] *See* Burchell, R.W. and Listokin, D., *The Fiscal Impact Handbook: Estimating Local Costs and Revenues of Land Development*. Center for Urban Policy Research. New Jersey (6th ed. 1988).
[3] *See* Nev. Rev. Stat. §§ 372, 377, 377A, and 543.600 et seq.

APPLIED ANALYSIS

Exhibit 5
Nevada Retail Sales and Use Taxes

Tax	Rate	Distribution
State Sales & Use Tax	2.00%	State General Fund
Local School Support Tax	2.25%	To the school district in the county of origin
Basic City-County Relief Tax	0.50%	Deposited in the "local government tax distribution fund;" redistribution is based on a formula
Supplemental City-County Relief Tax	1.75%	Deposited in the "local government tax distribution fund;" redistribution is based on a formula
County Options – Water & Wastewater Infrastructure	0.25%	Clark County – Water Operations
County Options – Regional Transportation	0.25%	Clark County – Regional Transportation
County Options – Flood Control	0.25%	Clark County – Flood Control
County Option – Police Protection	0.25%	Clark County – Metropolitan Police Department
County Options – Mass Transit	0.25%	Clark County – Mass Transit
Total	**7.75%**	--

To estimate potential taxable retail sales activity, AA reviewed taxable sales activity reported by the Nevada Department of Taxation to estimate a baseline sales figure per square foot. These estimates were applied to the programmed uses to generate the projected retail sales by use in instances where specific Company-prepared estimates were not available.

SALES – COMMERCIAL RETAIL

AA identified taxable revenue sources typically located within retail shopping centers and related developments throughout southern Nevada. The sales figures were then compared to total improved retail space based on data extracted from the Clark County Assessor's Office after adjusting for taxable revenue-generating floor space within each building type. For example, a 500,000-square-foot hotel may only have 50,000 square feet of retail shop space as the majority of the building is comprised of hotel rooms, which do not generate retail sales and use tax (they are taxed through transient lodging levies). The analysis that follows resulted in an average taxable sales per square foot of retail space of $266 throughout southern Nevada.

Exhibit 6
Estimated Taxable Retail Sales Activity Per Square Foot (PSF)
For Similar Uses Identified within the Mixed-Use Development
(Based on County-Wide Spending Estimates)

	Annual Estimate (a)	Share of Total
Computation of County-Wide Sales PSF of Selected Revenue Sources		
Commercial Retail Sales Categories (b)		
Food Services and Drinking Places	$6,046,378,567	37.8%
General Merchandise Stores	$2,996,061,036	18.7%
Clothing and Clothing Accessories Stores	$2,769,815,283	17.3%
Accommodation	$1,456,439,866	9.1%
Miscellaneous Store Retailers	$891,407,188	5.6%
Furniture and Home Furnishings Stores	$772,262,369	4.8%
Amusement, Gambling and Recreation Industries	$570,788,329	3.6%
Sporting Goods, Hobby, Book and Music Stores	$494,285,025	3.1%
Museums, Historical Sites and Similar Institutions	$45,287	0.0%
Taxable Retail Sales Activity	$15,997,482,948	100.0%
Effective Commercial Retail Space (SF) (c)	60,201,304	
Effective Taxable Retail Sales Activity Per SF	$266	

(a) Based on trailing 24-month average data annualized from the Nevada Department of Taxation (September 2008).

(b) Reflects sales categories that are typically located within retail shopping centers and related developments.

(c) Reflects estimated effective rental shop space for revenue-generating operations identified in (b) above based on Clark County Assessor's Office data adjusted for floor space generating taxable sales.

In addition to the market average sales estimates per square foot for similar uses identified at the proposed development, the Company generated internal estimates based on its anticipated programming and additional third-party data sources. The Company's revenue estimates for the retail portion of the Mixed-Use Development are as follows.

Exhibit 7
Estimated Taxable Retail Sales within the Mixed-Use Development
Retail Shop Component

	Programmed Space	Est. Sales PSF (a)	Retail Sales
Restaurant with Liquor	75,000	$253	$18,975,000
Women's Specialty	22,500	$354	$7,965,000
Apparel (Mixed)	15,000	$267	$4,005,000
Women's Ready-to-Wear	15,000	$253	$3,795,000
Home Furnishing/Décor	10,000	$261	$2,609,736
Jewelry	7,000	$948	$6,636,000
Drugstore/Pharmacy	6,000	$454	$2,724,000
Cosmetics/Beauty Supplies	5,000	$260	$1,300,000
Telephone/Telecom Store	3,000	$415	$1,245,000
Quick-serve Restaurants	3,000	$261	$782,921
Coffee Shop/Café	2,000	$261	$521,947
Wine Shop	2,000	$261	$521,947
Juice Bar	1,000	$261	$260,974
Other	3,500	$261	$913,408
Total	170,000	$307	$52,255,932

(a) Sales PSF estimates based on Dollars & Cents of Shopping Centers/The Score, Urban Land Institute, International Council of Shopping Centers. Due to a lack of available data for each use category, market average sales estimates were utilized for selected categories. The market average estimate of $261 is based on the $266 per square foot value noted in Exhibit 6 after adjusting for identifiable retail sales categories.

To further assess the reasonableness of the sales estimates provided above, AA reviewed data obtained from the Urban Land Institute and International Council of Shopping Centers that provides actual sales performances for existing shopping centers. Based on these results, it appears the forecasted sales activity within the retail shop space component of the proposed development is generally in line with key metrics of other shopping venues. The following highlights key metrics for these properties.

Exhibit 8
Retail Sales Activity Comparative Analysis

	Median Retail Sales PSF (b)	
Center Type (a)	**National**	**Western Region**
Super Regional	$271	$316
Regional	$237	$273
Community	$275	$323
Neighborhood	$275	$353
Average	$265	$316
Open Air Shopping Centers	$273	$323
Enclosed Shopping Centers	$243	$248
Average	$258	$286
Overall Average	$262	$306

(a) Source: Dollars & Cents of Shopping Centers/The Score 2006; Urban Land Institute; International Council of Shopping Centers.

(b) Based on sampling of 832 shopping centers.

In addition to these averages, destination retail venues tend to report higher-than-average sales rates. According to *Shopping Centers Today*, the Forum Shops at Caesars Palace achieved nation-leading rates of $1,300 per square foot.[4] Other destination retail outlets have also achieved sales figures above the averages reported by the Urban Land Institute. Miracle Mile, formerly the Desert Passage, on the Las Vegas strip reported nearly $700-per-square-foot in sales, while the Fashion Show Mall generated $1,000 per square foot during 2006.[5] Based on these comparative sales figures, estimated retail sales activity at the proposed development appears conservative.

SALES – MUSEUM (FORMER POST OFFICE)

To evaluate potential sales and use taxes generated by the Museum programmed within the Mixed-Use Development, AA reviewed a report prepared to assess the viability of the proposed museum.[6] The analysis contained a financial pro forma, including potential sources of revenue. The following summarizes those findings and estimates the potential sales taxes generated by such uses. The results are as follows.

[4] See http://www.icsc.org/srch/sct/sct0605/index.php?region=

[5] See http://www.lvrj.com/business/11182071.html

[6] See *Feasibility Assessment – Final Results* prepared by P|E|T|R Productions, dated January 2008.

APPLIED ANALYSIS

Exhibit 9
Estimated Taxable Retail Sales Activity
Within the Mixed-Use Development
Museum (Former Post Office)

Stabilized Revenue (a)	Projected Revenues	Share Taxable (b)	Taxable Sales
Museum	$9,179,000	0%	$0
Memberships	$343,000	0%	$0
Programs	$31,000	0%	$0
Private Events	$1,355,340	25%	$338,835
Museum Store	$2,740,000	95%	$2,603,000
Fundraising	$3,520,000	0%	$0
Total	**$17,168,340**	**17%**	**$2,941,835**

(a) Based on Feasibility Assessment conducted by P|E|T|R Productions (January 2008).
(b) Assumes substantially all sales at the museum store are subject to sales tax, while a portion of private events (e.g., food and beverage) are subject to tax.

SALES – COMMERCIAL OFFICE

AA identified taxable revenue sources typically located within commercial office space and related developments. The sales figures were then compared to total improved office space based on data extracted from the Clark County Assessor's Office after adjusting for net floor space. The analysis that follows resulted in an average of taxable sales per square foot of office space of $7.18, generating $1.0 million of taxable sales activity annually within the District. It is worth noting a large share of professional office users do not pay retail sales and use tax. As mentioned above, the sale of tangible goods is taxable while services such as professional services are exempt from Nevada's sales and use tax.

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Exhibit 10
Estimated Taxable Retail Sales Activity
Within the Mixed-Use Development
Based on County-Wide Spending Estimates
Commercial Office Space

	Annual Estimate (a)	Share of Total
Computation of County-Wide Sales PSF of Selected Revenue Sources		
Commercial Office Sales Categories (b)		
Real Estate	$53,481,713	2.6%
Rental and Leasing Services	$1,340,918,103	64.0%
Professional, Scientific and Technical Services	$271,669,025	13.0%
Management of Companies and Enterprises	$74,834,810	3.6%
Administrative and Support Services	$352,967,175	16.9%
Taxable Retail Sales Activity	$2,093,870,825	100.0%
Effective Commercial Office Space (SF) (c)	49,192,717	
Effective Taxable Retail Sales Activity Per SF	$7.18	
Computation of Estimated Taxable Retail Sales Activity at Mixed-Use Development		
Effective Taxable Retail Sales Activity Per SF	$7.18	
Total Programmed Office Space (SF) (Net)	142,500	
Estimated Taxable Retail Sales Activity	**$1,022,465**	

(a) Based on trailing 24-month average data annualized from the Nevada Department of Taxation (September 2008).

(b) Reflects sales categories that are typically located within commercial offices and related developments.

(c) Reflects commercial office space based on Clark County Assessor's Office data adjusted for net floor space.

SALES – HOTEL

Based on information provided by the Company, the programmed gaming hotel will incorporate approximately 500 rooms and a limited number of food and beverage and retail outlets. While hotel room revenue is not subject to sales and use tax, the Company estimates approximately $7.6 million of revenue generated by food and beverage outlets with a nominal amount of retail sales originating from other retail outlets (e.g., gift shop).

The following provides a comparative analysis of food and beverage revenues on a per-room, per-day basis for selected market areas within southern Nevada. Based on publicly available data generated by the Nevada Gaming Control Board, AA reviewed food and beverage sales for all Clark County hotel-casino properties (160 locations) and compared those results with the forecasted performance for the subject property. The results suggest the Company's estimates are on par with the average reported by other downtown hotel-casino operations. This analysis was also performed for all Las Vegas Strip properties (38 locations) and for the downtown area (17 locations). The results suggest the food and beverage revenue estimates for the programmed hotel are below market-wide average revenue estimates. Based on these estimates, it appears the Company's food and beverage revenue estimates are reasonable relative to market average performances.

Exhibit 11
Analysis of Food and Beverage Sales Originating from Hotel

	Clark County	Las Vegas Strip	Downtown
Market Average Sales Per Room Per Day (a)			
Food	$77	$78	$50
Beverage	$31	$32	$20
Weighted Average	$64	$65	$41
Programmed Hotel (b)	$41	$41	$41
Variance to Selected Market Areas	-35.0%	-36.0%	0.0%

(a) Source: Nevada Gaming Abstract 2007.
(b) Source: Company based on $7.6 million in food and beverage sales and 500 hotel rooms.

RETAIL SALES AND USE TAX SUMMARY

Based on the analyses in the preceding subsections, the following summarizes sales activity for the major uses within the District and estimates total sales and use taxes inuring to public agencies within Nevada. It is worth noting no sales and use taxes are anticipate from the casino.

Exhibit 12
Sales and Use Tax Summary and Proposed Allocation

	Estimate
Revenue:	
Retail	$52,255,932
Museum (Former Post Office)	$2,941,835
Office	$1,022,465
Hotel	$7,553,376
Casino	$0
Total Taxable Revenue	$63,773,608
Tax Rate	7.75%
Total Tax, Gross	$4,942,455
Share Allocable to Tourism Improvement District:	
Gross Tax Amount Not Subject to County Options (a)	$4,145,285
Proposed (Maximum) Amount Allocable to TID (75%)	$3,108,963
Less: Deduction of 0.75 Percent	($23,317)
Proposed Net Amount Allocable to TID (b)	$3,085,646
Share Allocable to Public Entities	$1,856,808
Total Proceeds	**$4,942,455**

(a) Pursuant to NRS 271A.070, mandatory rate of 6.5 percent is eligible (excludes county options) out of total 7.75 percent rate in Clark County (see Exhibit 5).

(b) Proceeds inuring to the TID will revert back to the City and are expected to be invested in infrastructure in and around the District.

AD VALOREM (PROPERTY) TAXES

The first fiscal impact element is property taxes. Generally speaking, each year county assessors are required to "[a]scertain by diligent inquiry and examination all real and secured personal property that is in [their respective counties on] July 1 which is subject to taxation . . ."[7] Each assessor is required to note the "[n]ames of all persons, corporations, associations, companies or firms owning the property. . ." and "[d]etermine the taxable value of all such property. . ." [8] for the ultimate purpose of levying ad valorem taxes. NRS § 361.260 requires that all real property is reappraised at least every five years; in Clark County, real property is appraised annually.[9] The assessments analyzed herein are for FY 2007-08.

[7] Nev. Rev. Stat. § 361.260 (1).
[8] *Id.*
[9] Nev. Rev. Stat. § 361.260.

Real property value assessments are bifurcated into land and improvement elements.[10] The taxable value assigned to vacant land is its full cash, or market value, taking into consideration factors such as its location, character and potential use. Taxable value of improved land is to be consistent with its improved use (e.g., as a single family residence, a hotel-casino or an office building). The taxable value of improvements, in most cases buildings, is based on estimated replacement cost less depreciation.[11] Depreciation is calculated at 1.5 percent of the replacement cost each year, up to a maximum of 50 years; and thus, the residual value of any given improvement is 25 percent of its replacement cost. Property taxes are computed by multiplying taxable value by 35 percent to obtain assessed value.[12] Assessed value is then divided by $100 and then multiplied by the tax rate to determine tax liability.

There is often a disconnect between the cost to construct improvements and the assessed value. Overall costs of development generally include certain soft costs, financing charges during construction and other considerations. Nevada Administrative Code requires the Nevada Assessors to use Marshall & Swift Building Cost Service to determine improvement replacement costs, minus depreciation.[13] Based on discussions with the representatives of the Clark County Assessor's Office, the Marshall & Swift estimates may not equate to actual replacement cost or may have a material timing lag. Various factors for this variance exist, including the relatively rapid pace of increase during the past several years due to increased demand for material and labor, periodic reporting by Marshall & Swift, localized nuances and various other considerations.

Based on prior discussions with the City of Las Vegas in 2007, the City reviewed several newly-constructed properties and compared their reported construction costs with the assessed value (based on taxable value) and determined that on average for those selected properties, assessed values were 55 percent of the construction cost. While there are a number of instances where assessed values as a percentage of reported construction cost were much higher, this estimate has been utilized based on the City's experience and to present a conservative estimate.

Therefore, basing taxable value on 55 percent of the Mixed-Use Development's construction cost (estimated at $219.1 million) plus the fair market value of the land ($28.0 million) and applying the 55 percent discount factor, total taxable value equates to $148.5 million, with an assessed value of $52.0 million (35 percent of taxable value).[14] Assuming a casino is not incorporated into the Mixed-Use Development, the taxable value declines to $138.4 million with an assessed value of $48.4 million.

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[10] Nev. Rev. Stat. § 361.227 (1).
[11] Nev. Rev. Stat. § 361.227 (1)(b); *see also* Nevada Taxpayers Association, *Understanding Nevada's Property Tax System*. 2000 edition. Page 7.
[12] Nev. Rev. Stat. § 361.225.
[13] See http://www.accessclarkcounty.com/depts/assessor/pages/aboutao.aspx
[14] Analysis assumes a change in use.

It is also worth noting that Clark County property values have witnessed unprecedented escalations during the 2004 to 2006 timeframe; a condition not fully reflected in the latest tax collection figures because of the limitations imposed by AB 489 (2005 Nevada State Legislature). AB 489 limits tax bill escalations to 3 percent for existing owner-occupied residential properties and 8 percent for all other properties (including commercial uses). This limitation is not uniformly applied to newly constructed properties or properties with a change in use. Thus, it would follow that the subject site would generate substantially more taxable value per acre than would comparable properties in the same tax district.

The Mixed-Use Development is located in the Las Vegas City Redevelopment Tax District 203. This district has a combined tax rate of $3.2714 per $100 of assessed value.[15] The proceeds of this levy inure to several public entities; however, the increment generated from an increase in value inures to the redevelopment agency.

Please note the subject property is currently exempt from paying tax and as such, the entire value upon acquisition by the Company will generate incremental taxes.

Exhibit 13
Estimated Property Tax Collections Annually

	Property Tax
Rate per $100 of Value	3.27140
Including Casino	$1,700,362
Excluding Casino	$1,584,622

GAMING PERCENTAGE FEES

Gross gaming revenues of non-restricted gaming licensees are subject to a percentage fee.[16] The levy is based on gaming operation winnings less the total paid out as losses, annuities purchased to fund losses to pay out over several years and the cost of personal property won by a player.[17] It also excludes foreign coins collected, entry fees, counterfeit bills and any adverse impacts associated with fraudulent acts. The tax rates imposed are 3.5 percent of the first $50,000 in net winnings per month, 4.5 percent of the net winnings greater than $50,000 but not greater than $134,000 per month, and 6.75 percent of net winnings greater than $134,000 per month.[18] The vast majority of these revenues inure to the State's

[15] *See* http://trweb.co.clark.nv.us/county/TaxRate-DistrictBreakdown2007-8.htm#203.
[16] Nev. Rev. Stat. § 463.370.
[17] *Id.*
[18] *Id.*

General Fund. A calculation of percentage fee revenues is provided below based on projected gaming revenues and the industry's seasonality during 2007.

Exhibit 14
Estimated Gaming Percentage Fees

Month	Total Gaming Revenues	Estimated Tax Payments			
		Tier 1 (3.5%)	Tier 2 (4.5%)	Tier 3 (6.75%)	Total
January	$4,063,056	$1,750	$3,780	$265,211	$270,741
February	$3,568,057	$1,750	$3,780	$231,799	$237,329
March	$3,537,367	$1,750	$3,780	$229,727	$235,257
April	$3,344,844	$1,750	$3,780	$216,732	$222,262
May	$3,909,372	$1,750	$3,780	$254,838	$260,368
June	$2,944,853	$1,750	$3,780	$189,733	$195,263
July	$3,442,432	$1,750	$3,780	$223,319	$228,849
August	$3,601,957	$1,750	$3,780	$234,087	$239,617
September	$3,343,352	$1,750	$3,780	$216,631	$222,161
October	$3,445,936	$1,750	$3,780	$223,556	$229,086
November	$4,159,720	$1,750	$3,780	$271,736	$277,266
December	$3,949,581	$1,750	$3,780	$257,552	$263,082
Total	**$43,310,527**	**$21,000**	**$45,360**	**$2,814,921**	**$2,881,281**

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ADDITIONAL GAMING FEES AND CHARGES

In addition to gaming percentage fees described above, gaming operators are required to pay additional fees. They include county gaming fees, slot license fees, slot machine excise taxes, and state gaming license fees. The following summarizes the various fees and charges.

Exhibit 15
Additional Gaming Fees and Charges

	Statutory Reference	Basis of The Tax	Tax Rate	Distribution	Revenue Estimate
County Gaming Fees	NRS 463.390	Unit-based tax imposed on casino games, slot machines or any game of chance	$25 per month for each table game of poker, bridge, whist, solo and panguingui, $50 per month for all other table games, and $10 per month for each slot unit	City General Fund	$129,600
Slot License Fee - Non-Restricted	NRS 463.375	Unit-based tax imposed on each slot machine	$20 for each slot machine each calendar quarter	State General Fund	$80,000
Slot Machine Excise Tax	NRS 463.385	Unit-based tax imposed on each slot machine	$250 for each slot machine each year	Higher Education Fund; Higher Education Special Capital Construction Fund; State Distributive School Account	$250,000
State Games License - Annual Fees	NRS 463.380; NRS 463.320	Unit-based tax imposed on each table game	Graduated rate; top tier is $16,000 plus $200 for each game in excess of 16	County governments	$16,000
State Games License - Quarterly Fee	NRS 463.383	Unit-based tax imposed on all games operated in any calendar quarter	Graduated rate; top tier is $20,300 plus $25 for each game in excess of 35	State General Fund	$79,300
Total					**$ 554,900**

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MODIFIED BUSINESS TAX

The modified business tax is a tax based on gross payrolls defined in NRS 612.190. The tax, which was instituted by the 2003 Nevada Legislature, is paid in each calendar quarter and is currently based on 0.63 percent of gross payrolls, less any cost for providing employer-paid healthcare coverage. The following highlights the estimated proceeds generated by the modified business tax annually.

Exhibit 16
Modified Business Tax

	Tax
Wage and Salary Payments (in millions) (a)	
Retail	$26.6
Museum (Former Post Office)	$3.6
Office	$34.6
Hotel	$11.6
Casino	$8.2
Total	$84.5
Taxable Wages, Accounting for Healthcare Adjustment	85%
Tax Rate	0.63%
Proceeds of Modified Business Tax, Including Casino	**$452,706**
Proceeds of Modified Business Tax, Excluding Casino	**$408,770**

(a) See Economic Impact Considerations section.

STATE AND LOCAL TRANSIENT LODGING TAX

Hotels within southern Nevada participate in state and local transient lodging tax pursuant to Nevada NRS 244.335 and NRS 268.095. For hotels located in downtown Las Vegas, the combined tax rate is 11 percent, with collections distributed among the following entities:

Exhibit 17
Local Transient Lodging Tax Allocation

Entity	Rate
State of Nevada	0.375%
Clark County School District	1.625%
Collecting Jurisdiction	1.000%
Clark County Transportation	1.000%
Fremont Street Experience	2.000%
Las Vegas Convention and Visitors Authority	5.000%
Total	**11.000%**

Based on Company-provided estimates of revenue, the following calculates estimated annual local transient lodging taxes within the District.

Exhibit 18
Estimated Annual Local Transient Lodging Taxes

	Value
Number of Rooms	500
Average Daily Room Rate (a)	$115
Occupancy (a)	85.0%
Revenue	$17,839,375
Tax Rate	11.0%
Estimated Transient Lodging Taxes	$1,962,331

(a) Reflects a discount to the market-wide average room rate ($123) and occupancy (88.4 percent) reported by the Las Vegas Convention and Visitors Authority for the first nine months of 2008 for all hotels and motels.

Additional Revenue Impacts

In addition to the identified revenue sources, several others provide revenue to state and local municipalities. While the overall potential fiscal impacts (net) may not be material to the State or other local unit of government, it is important to model the effects.

To estimate the impacts not identified in preceding subsections of this report, AA obtained the latest *State and Local Government Finances* report from the US Census Bureau.[19] These data represent estimates of all state and local government revenues

[19] The Census Bureau conducts a census of governments at five year intervals, and an annual survey for the intervening years. The state and local government finance statistics cover government financial activity in four broad categories of revenue, expenditure, debt, and

and expenditures in the state of Nevada. To model the impacts associated with the proposed development, AA converted all state and local revenue and expenditures estimates (excluding those modeled previously) to a per-employee amount and applied those pro rata costs to the subject property based on the estimated number of employees. An additional analysis on a per-visitor basis was undertaken, resulting in a more aggressive result. As such, the more conservative per-employee methodology was employed. Allocations on a per-resident basis were also considered but resulted in invalid estimates given the lack of full-time residents on the site. The following highlights the revenue results of the analysis, while the expenditure estimates are included in the *Expenditure Impact Analysis* section of this report.

Exhibit 19
Other Revenue Impacts Generated by Proposed Development
Based on State and Local Government Finances: Fiscal Year 2005-06

	Including Casino	Excluding Casino	Notes
Revenue			
Intergovernmental Revenue	3,542,669	3,064,599	
Taxes:			
Property	-	-	(a)
Sales and Gross Receipts:			
General Sales	-	-	(a)
Selective Sales:			
Motor Fuel	621,712	537,814	
Alcoholic Beverage	56,660	49,014	
Tobacco Products	205,560	177,820	
Public Utilities	270,965	234,400	
Other Selective Sales, Gaming	-	-	(a)
Other Selective Sales, All Others	1,196,614	1,035,135	(a) (b)
Total Selective Sales	2,351,511	2,034,183	
Total Sales and Gross Receipts	2,351,511	2,034,183	
Motor Vehicle License	240,552	208,090	
Other Taxes, Modified Business Tax	-	-	(a)
Other Taxes, All Others	1,647,773	1,425,412	(a) (c)
Total Taxes	4,239,836	3,667,685	
Charges and Miscellaneous Revenue	6,547,286	5,663,753	
Utility Revenue	1,523,837	1,318,201	
Insurance Trust Revenue	4,082,395	3,531,490	
Total Revenue	19,936,022	17,245,729	

Source: US Census Bureau (see http://www.census.gov/govs/estimate/0629nvsl_1.html)
(a) Fiscal impact accounted for in preceding subsections of this report.
(b) Excludes gaming revenue estimates for fiscal year.
(c) Excludes modified business tax estimates (non financial institutions) for fiscal year.

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assets. For purposes of this analysis, AA considered revenue and expenditures. The latest available report is for the 2005-06 fiscal year.

SUMMARY OF PUBLIC REVENUE SOURCES

To summarize the various elements reported in the preceding subsections, the following highlights the identified and quantified sources of public revenue.

Exhibit 20
Summary of Revenue Impacts

Including Gaming

Source	Beneficiaries: Public	Beneficiaries: The District	Total	Notes
Sales and Use Tax	$1,856,808	$3,085,646	$4,942,455	(a)
Property Tax	$1,700,362	$0	$1,700,362	(b)
Gaming Percentage Fees	$2,881,281	$0	$2,881,281	(c)
Other Gaming Fees and Charges	$554,900	$0	$554,900	(d)
Modified Business Tax	$452,706	$0	$452,706	(c)
Transient Lodging Tax	$1,962,331	$0	$1,962,331	(d)
Other State and Local Revenues	$19,936,022	$0	$19,936,022	(d)
Total Identified	**$29,344,411**	**$3,085,646**	**$32,430,057**	--
Share	**90.5%**	**9.5%**	**100.0%**	--

Excluding Gaming

Source	Beneficiaries: Public	Beneficiaries: The District	Total	Notes
Sales and Use Tax	$1,856,808	$3,085,646	$4,942,455	(a)
Property Tax	$1,584,622	$0	$1,584,622	(b)
Modified Business Tax	$408,770	$0	$408,770	(c)
Transient Lodging Tax	$1,962,331	$0	$1,962,331	(d)
Other State and Local Revenues	$17,245,729	$0	$17,245,729	(d)
Total Identified	**$23,058,260**	**$3,085,646**	**$26,143,907**	--
Share	**88.2%**	**11.8%**	**100.0%**	--

(a) Public benefit excluded 0.75 percent fee. Assumes 75 percent allocation of eligible amount to the TID.

(b) Assumes no tax increment financing (TIF) is provided to the Company.

(c) Inures to the state.

(d) Inures to various public agencies.

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EXPENDITURE IMPACT ANALYSIS

With revenues representing only one-half of the equation, NRS 271 requires the determination of the fiscal effect of the Mixed-Use Development consider "any increase in costs for the provision of local governmental services, including, without limitation, services for education, including operational and capital costs, and services for police protection and fire protection, as a result of the Mixed-Use Development within the district."[20] The following subsections address each of the identified services in order.

CLARK COUNTY SCHOOL DISTRICT

Typically, demand for education services, specifically the Clark County School District, is generated by incremental households and/or population. The District is programmed for commercial retail and office uses, along with hotel-gaming uses. The Mixed-Use Development is not considering any residential uses, thereby eliminating the need to provide incremental education service. That said, employment growth associated with the Mixed-Use Development has the potential to generate demand for education services; this demand may be partially (if not all) offset by pulling from existing resources (e.g., existing labor pool). Additionally, AA contacted the Clark County School District to determine if any unforeseen costs would be incurred as a result of the Mixed-Use Development and a response that there would be no impact was obtained.

In addition to the response obtained from the Clark County School District, AA prepared an estimate of potential impact for consideration. For modeling purposes, AA assumed approximately 25 percent of direct employment growth sourced to the Mixed-Use Development will originate from outside the market, while the balance will be sourced to the existing labor pool. This assumption is based on current conditions, including unemployment levels at 7.6 percent (1.1 points higher than the national average); job growth remains below historical averages and continued economic weakness is likely to persist in the near to mid-term. Based on these assumptions, total expenditure impacts would be $953,400 (including casino) and $824,800 (excluding casino).[21]

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[20] See NRS 271A.080.3(c)
[21] Based on total direct employment, average number of employees per household, average number of children per household and the average per-pupil cost of education.

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LAS VEGAS METROPOLITAN POLICE DEPARTMENT

As part of this analysis, the objective is to estimate the incremental costs associated with the proposed development. Currently, the District hosts various uses including a bus terminal, park and post office. The Las Vegas Metropolitan Police Department (LVMPD) is providing services to the area contemplated for the TID.

While the intensity of development programmed for the site is higher than currently exists, the redevelopment of the area is also expected to improve conditions in the surrounding area. With over $200 million in investment programmed for the site, the environment on and around the site is likely to transform. Determining the impacts to the LVMPD with precision is challenging.

That said, the following analysis assumes the property were vacant today and additional police protection services would be required for the proposed development. The approach reviews the costs of police protection operations on a per-acre basis of land and per-square-foot basis of improved property. The following also evaluates the cost on a per-employee basis. These estimates are intended to provide an order-of-magnitude range of estimates.

Exhibit 21
Police Protection Impact
Range of Estimates

	Acres	Improved Property (SF)	Employment
Service Area (a)	416,374	1,365,905,206	688,050
Total LVMPD Budget (b)	$487,702,802	$487,702,802	$487,702,802
Average Expenditure Per Unit	$1,171.31	$0.36	$708.82
Mixed-Use Development Size (c)	5.49	781,419	1,895
Potential Impact on a Per-Unit Basis, Including Casino	$6,430	$279,009	$1,343,075
Potential Impact on a Per-Unit Basis, Excluding Casino	$6,430	$268,298	$1,161,832

(a) Acreage based on LVMPD 2007 Annual Report stating 7,560 square miles (adjusted for vacant property). Improved property based on Clark County Assessor's Office information. Employment estimated based on market area covered and Applied Analysis.

(b) Based on total expenditures during the fiscal year ended June 30, 2007.

(c) Acres and improved property based on Company programming. Employment based on estimated employment at subject site (see *Economic Impact* section).

A fourth impact estimate was prepared on a full-time equivalency population (accounting for full-time residents and the equivalent share of visitors residing in the area). While no full-time residents are expected to live on-site at the proposed development, the equivalent visitor population resulted in costs attributable to the Mixed-Use Development within the ranges noted above.

This estimate assumes no patrols and/or services are being provided to the site today. Also, this summary analysis also assumes a linear relationship between costs and service area. For example, the addition of an office building in southern Nevada does not necessarily require additional time, effort and cost at every level within the LVMPD.

In addition to the estimates prepared above, AA obtained estimates directly from the City of Las Vegas. The following highlights the annual costs during the first five years of the Mixed-Use Development (assuming a two-year development timeline and the first three years of operations). The annual recurring expenditure estimate reflects estimated costs in 2008 dollars and is in line with the estimated ranges computed above.

Exhibit 22
Police and Public Safety Expenditure Estimates

	Including Casino	Excluding Casino
Year 1	$346,761	$317,667
Year 2	$346,761	$317,667
Year 3	$707,715	$623,346
Year 4	$717,103	$631,789
Year 5	$726,772	$640,486
Annual Recurring Expenditure During Operations (2008 Dollars)	$652,230	$574,475

Source: City of Las Vegas based on Mixed-Use Development assumptions.

City of Las Vegas Fire Department

Consistent with the methodology employed to review police protection costs, AA reviewed similar metrics for the City of Las Vegas Fire Department. It is noteworthy that fire protection services are currently being provided at the site. With a lack of available information regarding the precise cost associated with providing those services, AA estimated these costs on a per-acre, per-square-foot and per-employee basis.

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Exhibit 23
Fire Protection Impact
Range of Estimates

	Acres	Improved Property (SF)	Employment
Service Area (a)	58,233	466,395,503	347,666
Total Fire and Rescue Budget (b)	$104,338,733	$104,338,733	$104,338,733
Average Expenditure Per Unit	$1,791.74	$0.22	$300.11
Mixed-Use Development Size (c)	5.49	781,419	1,895
Potential Impact on a Per-Unit Basis, Including Casino	$9,837	$174,814	$568,654
Potential Impact on a Per-Unit Basis, Excluding Casino	$9,837	$168,102	$491,916

(a) Acres based on City of Las Vegas Fact Sheet (July 2008) stating 133.2 square miles (adjusted for vacant property). Improved property based on Clark County Assessor's Office information. Employment based on estimates provided by Claritas.

(b) Based on total expenditures during the fiscal year ended June 30, 2007.

(c) Acres and improved property based on Company programming. Employment based on estimated employment at subject site (see *Economic Impact* section).

Consistent with the police protection analysis above, a fourth impact estimate was prepared on a full-time equivalency population (accounting for full-time residents and the equivalent share of visitors residing in the area). While no full-time residents are expected to live on-site at the proposed development, the equivalent visitor population resulted in costs attributable to the Mixed-Use Development within the ranges noted above.

Also similar to the police protection analysis, this estimate assumes no services are being provided to the site today. This summary analysis also assumes a linear relationship between costs and service area. For example, the addition of an office building in southern Nevada does not necessarily require additional time, effort and cost at every level within the City of Las Vegas Fire Department, rather, existing costs are spread over a larger tax base.

In addition to the estimates prepared above, AA obtained estimates directly from the City of Las Vegas. The following highlights the annual costs during the first five years of the Mixed-Use Development (assuming a two-year development timeline and the first three years of operations). The annual recurring expenditure estimate reflects estimated costs in 2008 dollars and is in line with the estimated ranges computed above.

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Exhibit 24
Fire Protection Expenditure Estimates

	Including Casino	**Excluding Casino**
Year 1	$272,369	$251,103
Year 2	$272,369	$251,103
Year 3	$555,885	$494,219
Year 4	$563,259	$500,903
Year 5	$570,854	$507,787
Annual Recurring Expenditure During Operations (2008 Dollars)	$512,304	$455,472

Source: City of Las Vegas based on Mixed-Use Development assumptions.

ADDITIONAL EXPENDITURE IMPACTS

In addition to the services identified in NRS 271A, various state and local governments experience a modest increase in administrative costs associated with the development. Additional revenue sources are also likely to be generated. While the overall potential fiscal impacts may not be material to the State or other local units of government, it is important to model the effects.

To estimate the impacts not identified in preceding subsections of this report, AA obtained the latest *State and Local Government Finances* report from the US Census Bureau.[22] These data represent estimates of all state and local government revenues and expenditures in the state of Nevada. To model the impacts associated with the proposed development, AA converted all state and local revenue and expenditures estimates (excluding those modeled previously) to a per-employee amount and applied those pro rata costs to the subject property based on the estimated number of employees. An additional analysis on a per-visitor basis was undertaken, resulting in a more aggressive result. As such, the more conservative per-employee methodology was employed. Allocations on a per-resident basis were also considered but resulted in invalid estimates given the lack of full-time residents on the site. The following highlights the expenditure results of the analysis, while the revenue estimates are included in the *Revenue Impact Analysis* section of this report.

[22] The Census Bureau conducts a census of governments at five year intervals, and an annual survey for the intervening years. The state and local government finance statistics cover government financial activity in four broad categories of revenue, expenditure, debt, and assets. For purposes of this analysis, AA considered revenue and expenditures. The latest available report is for the 2005-06 fiscal year.

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Exhibit 25
Other Expenditure Impacts Generated by Proposed Development
Based on State and Local Government Finances: Fiscal Year 2005-06

	Including Casino	Excluding Casino	Notes
Expenditures			
Intergovernmental Expenditures	9,383	8,116	
Direct Expenditures by Function:			
Education	-	-	(a)
Social Services	4,304,350	3,723,494	
Transportation	2,858,406	2,472,675	
Public Safety:			
Police Protection	-	-	(a)
Fire Protection	-	-	(a)
Corrections	822,701	711,680	
Protective Inspection and Regulation	289,234	250,203	
Total Public Safety	1,111,935	961,883	
Environment and Housing	1,877,148	1,623,834	
Government Administration	2,850,472	2,465,811	
General Expenditures	1,195,428	1,034,109	
Utility Expenditure	2,442,293	2,112,715	
Insurance Trust Expenditures	1,575,391	1,362,798	
Total Expenditures	18,224,805	15,765,434	

Source: US Census Bureau (see http://www.census.gov/govs/estimate/0629nvsl_1.html)
(a) Fiscal impact accounted for in preceding subsections of this report.

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SUMMARY OF PUBLIC EXPENDITURES

To summarize the various elements reported in the preceding subsections, the following highlights the identified and quantified public expenditures potentially associated with the Mixed-Use Development.

Exhibit 26
Summary of Expenditure Impacts

Service/Entity	Including Casino	Excluding Casino
Education/Clark County School District	$953,420	$824,759
Police and Public Safety/LVMPD	$652,230	$574,475
Fire and Rescue/Las Vegas Fire Department	$512,304	$455,472
Other Expenditures/State and Local Governments	$18,224,805	$15,765,434
Total	$20,342,759	$17,620,141

IMPACT ON SURROUNDING RETAILERS

NRS 271A requires the determination of the fiscal effect of the Project consider the "[e]stimates of any increases in the proceeds from sales and use taxes collected by retailers located outside of the district and of any displacement of the proceeds from sales and use taxes collected by those retailers, as a result of the properties and businesses expected to be located in the district."[23] As previously discussed, due to the integral nature of the Project within the Mixed-Use Development, this analysis is based on the anticipated performance of the Mixed-Use Development.

To address this requirement, AA reviewed this from two perspectives. While the term referring to retailers outside of the district is not specifically defined, we assume this to mean adjacent property owners, as well as those located within the general area.

Any negative impacts, or reduced demand for retailers, for adjacent property owners is expected to be negligible. In fact, the impacts are likely to be positive. The property sits on its own block with travel lanes surrounding the property. The site is

[23] See NRS 271A.080.3(d)

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bounded by US-95, City of Las Vegas City Hall, the Company's Lady Luck development and a parking lot. No sizable retailers exist on the first three adjoining properties noted. The Lady Luck is a former hotel-casino property that is owned by the Company that is under-going a major re-design with a substantial investment. Currently, no material sales activity is being generated at surrounding properties.

Addressing the question of impacts to retailers in the general market area, it is reasonable to assume this $200-milion-plus investment will spur demand by tourists, and residents to some extent (see *Sources of Taxable Retail Sales* section that follows.) In reality, the District sits in the middle of a redevelopment area that has many aging properties and properties that have become functionally obsolete. The type of investment is expected to spur additional visitation in the area and seed the growth of future development and redevelopment activity.

Historically speaking, investments within the market have expanded the overall size of the market, rather than cannibalize consumer spending within the market. During the course of the past decade, total expansions in the number of hotels generated a comparable number of visitors to the area. Despite a healthy compound annual growth rate in hotel room inventory and visitor volume of 2.4 and 2.5 percent, respectively, aggregate visitor spending on eating, drinking and shopping has expanded at a rate approximately 3.6 times that level. We believe these trends hold true as it relates to the proposed investment at the subject site.

Exhibit 27
Market Expansion Impact on Consumer Spending

	1997	2007	CAGR (a)
Market Inventory and Visitation Growth Rates:			
Number of Hotel Rooms (b)	105,347	132,947	2.4%
Number of Visitors (b)	30,605,128	39,196,761	2.5%
Spending Per Trip (b)			
Food and Drink	$123.87	$254.49	7.5%
Shopping	$74.77	$114.50	4.4%
Total	$198.64	$368.99	6.4%
Aggregate Spending (c)	$6,079,402,626	$14,463,212,841	9.1%

(a) Compound annual growth rate.
(b) Source: Las Vegas Visitors and Convention Authority.
(c) Spending per trip multiplied by number of trips (visitors).

RETAILER DEMAND

This section of the report reviews indicators of demand for retailers to locate their business in the District and specifically addresses the requirements outlined in NRS 271A.080.6(a). Generally speaking, retailers evaluate several factors when determining in which locations to open retail shops. According to *Market Analysis for Valuation Appraisals*:[24]

> *Shopping centers are based on the principle of cumulative attraction which recognizes that a location in a retail cluster brings a retailer more customer traffic than the retailer would have if it were located by itself. The benefits of increased customer traffic outweigh the negative effects of the store's proximity to competitors.*

The author continued to discuss the market dynamics present with new retail development:[25]

> *Some directions already evident are the creation of new center types, an interest in middle market communities, the focus on in-fill locations previously bypassed or ignored, and the revitalization of downtown areas. However, if these directions are to succeed, and if the industry is to continue to grow, more sophisticated levels of site location and center planning, design, and operation are required. No longer is a location accessible to a large population the only criterion for success. Today a shopping center developer must have a clear and reliable understanding of all the dynamics of the marketplace before committing time and money to a project.*

Based on our discussions with the Company, it appears they understand the market dynamics taking place in downtown Las Vegas and similarly-situated markets[26] and have committed significant funding to the area to date.

The following provides the elements identified as key criteria and their rating the Project site. While this analysis is subjective, these criteria[27] are identified as elements

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[24] Stephen F. Fanning, MAI, Terry V. Grissom, MAI and Thomas D. Pearson, MAI, *Market Analysis for Valuation Appraisals*, Appraisal Institute.
[25] Id.
[26] According to CIM's website, "The cornerstone of CIM Group's success has been its proprietary approach in determining what creates value in densely-populated areas. During the past 14 years, CIM has qualified 83 urban communities and has made investments in 30 of them. Each community must meet such criteria as improving local economic and demographic trends, public sector commitment to real estate redevelopment, private sector real estate activity, and opportunities for additional real estate transactions."
[27] Stephen F. Fanning, MAI, Terry V. Grissom, MAI and Thomas D. Pearson, MAI, *Market Analysis for Valuation Appraisals*, Appraisal Institute.

to consider during the valuation process of a retail center. We believe these retailers will also consider these criteria when considering a location at the Project.

Criteria	Project Rating	Comments
Location:		
Proximity to Major Highway	High	Adjacent to US-95
Proximity to Res. Housing	Low	The area is dominated by temporary residents (hotel guests)
Proximity to Other Customers	High	The area is dominated by temporary residents (hotel guests)
Traffic Volume by Site	High	Average daily traffic volumes along US-95 are 155,000 cars
Parking	TBD	A multi-story parking garage is programmed on-site
Landscaping	TBD	Landscaping will likely be limited given the project density
Exterior Access	High	Access from major thoroughfares & frontage provides access
Visibility	High	Visibility is significant and substantial signage is programmed
Building Improvements	TBD	The level of programmed investment is significant

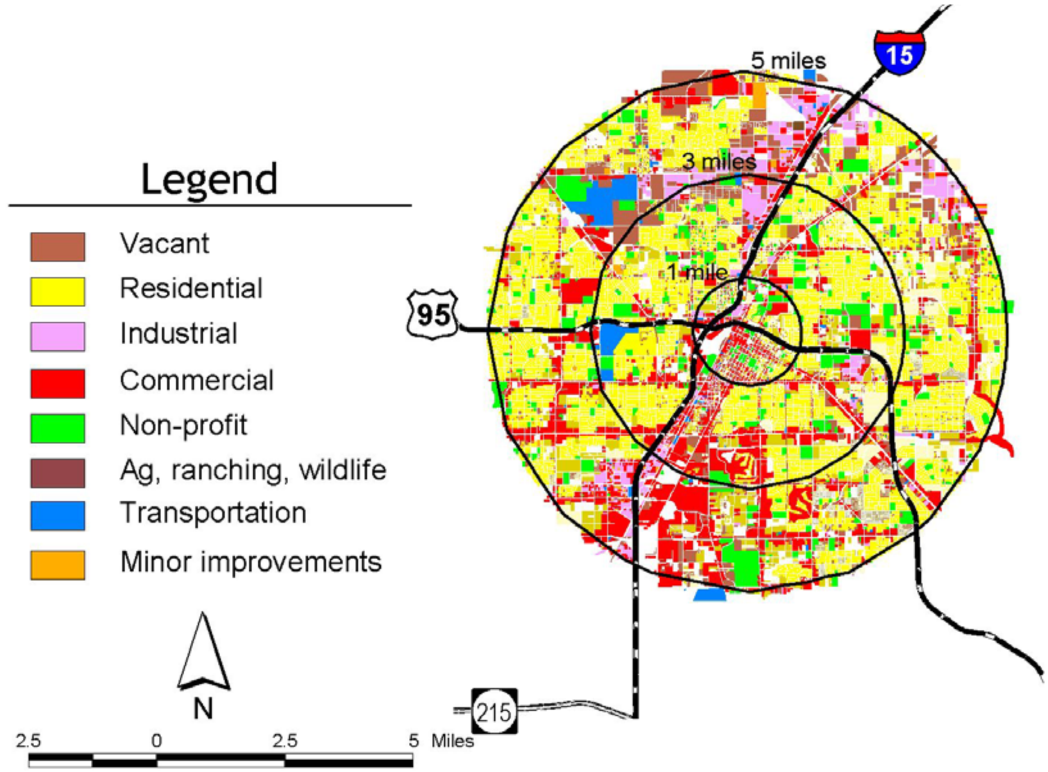
The forecasted retail sales activity reported in the preceding sections demonstrates the market potential of the Mixed-Use Development. It is also worth noting the Mixed-Use Development has the potential to receive certain public financial incentives, which should provide for a competitive pricing structure to retail tenants. Based on the Mixed-Use Development forecasts combined with qualitative characteristics that retailers seek out and the source of taxable retail sales noted in the following section, it appears reasonable that retailers will locate to the Mixed-Use Development.

Source of Taxable Retail Sales

This section of the report analyzes the source of the preponderance of the increase in proceeds of sales and use taxes and specifically addresses the requirements outlined in NRS 271A.080.6(b). On the surface, it is logical that development designed to target tourists, which includes lodging on-site, will cater primarily to out-of-town visitors, rather than local residents. That said, it is necessary to analyze the anticipated spending volumes by reviewing the current mix of consumption in the area. The following provides a graphical representation of land uses within the area; it is worth noting the commercial (inclusive of tourism) uses in the downtown area.

Exhibit 28

Market Area Land Use



The spending patterns of visitors and residents were modeled independently. The results of the analysis follow.

VISITOR SPENDING

Given the proposed uses at the site, the primary sources of taxable sales activity will be eating and drinking places (restaurants and bars), along with general merchandise stores and outlets. As such, AA conducted a multi-step approach to estimating visitor spending. The first step was to determine the number of full-time equivalent visitors in the area based on the number of hotel rooms, occupancies and occupants per room. To evaluate the impacts on an order-of-magnitude basis, AA reviewed trade areas within 1, 3 and 5 miles of the site.

In the second step of this analysis, AA reviewed the average consumer spending on eating, drinking and shopping, the primary sources of taxable revenue on the site. In the immediate area, estimates were derived from consumers surveyed in the downtown area, which is encompassed by a one-mile radius from the site. Broader estimates were utilized for the larger 3 and 5-mile regions that are more reflective of the average consumer spend on these categories.

The third step in the analysis was to convert the full-time equivalent visitors into the actual number of trips by visitors. This was necessary as spending data was calculated on a per-trip basis, rather than per day. These factors were then converted into total taxable spending. The results are delineated below.

Exhibit 29
Computation of Non-Nevada Visitor Taxable Spending by Market Area

	1 Mile	3 Mile	5 Mile
Number of Full-Time Equivalent Visitors			
Number of Hotel Rooms (a)	11,161	28,836	80,481
Average Occupancy Estimate (b)	85%	85%	85%
Average Number of Occupants Per Room (c)	2.2	2.2	2.2
Total Number of Visitor Nights to Market Area Per Day	20,871	53,923	150,499
Total Number of Visitor Nights to Market Area Per Year	7,617,941	19,682,012	54,932,307
Total Number of Non-Nevada Visitor Nights to Market Area Per Year (d)	7,549,379	19,504,874	54,437,916
Consumer Spending Per Trip by Visitors (e)			
Food and Drink (f)	$142.70	$221.30	$221.30
Shopping (g)	$65.95	$104.09	$104.09
Total	$208.64	$325.39	$325.39
Average Length of Stay (in nights) per Visitor	3.6	3.6	3.6
Total Number of Trips (Visitor Nights/Length of Stay)	2,097,050	5,418,020	15,121,643
Total Taxable Spending by Non-Nevada Visitors on Eating, Drinking and Shopping	**$437,530,780**	**$1,762,951,050**	**$4,920,379,506**

(a) Source: Extracted from Clark County Assessor's Office parcel-level data.

(b) Based on a discount to the market-wide average of 89.3 percent reported by the Las Vegas Convention and Visitors Authority for the first six months of 2008 for all hotels and motels.

(c) Per Las Vegas Convention and Visitors Authority Visitor Profile 2007.

(d) Adjusted for Nevada visitors by AA and allocation methodology confirmed as reasonable by the LVCVA.

(e) Analysis considers spending categories likely available at the subject site.

(f) Per Las Vegas Convention and Visitors Authority Visitor Profile 2007 and adjusted by AA for non-taxable consumption, including gratuities.

(g) Per Las Vegas Convention and Visitors Authority Visitor Profile 2007 and adjusted by AA for non-taxable consumption, including items shipped out of state.

APPLIED ANALYSIS

RESIDENT SPENDING

With spending estimates for visitors determined, the second phase of the analysis is to perform a similar analysis for estimated spending by residents. AA obtained market data from Claritas, a national provider of demographic and consumer data. For the same trade areas, AA estimated total consumer resident taxable consumer spending based on the population and their spending profile on selected goods likely to dominate the tenant mix at the subject site. These categories included eating and drinking outlets, apparel and a number of other categories comparable to those profiled in the visitor spending section above. The results are as follows.

Exhibit 30
Computation of Resident Taxable Spending by Market Area

	1 Mile	3 Mile	5 Mile
Population (a)	25,166	185,646	477,926
Taxable Spending Per Capita (b)	$4,611	$5,085	$5,814
Total Taxable Spending by Residents	**$116,040,305**	**$943,927,763**	**$2,778,489,310**

(a) Source: Claritas

(b) Source: Claritas - Based on various spending categories, including eating and drinking, apparel, entertainment, housewares, personal care, etc. Estimates adjusted for non-taxable spending, including gratuities and items shipped out of state.

PREPONDERANCE COMPUTATION

Based on the results of the two preceding subsections, the following compares the estimated consumer spending by source.

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Exhibit 31
Comparison of Resident and Visitor Taxable Spending by Market Area

	1 Mile	3 Mile	5 Mile
Spending by Non-Nevada Visitors	$437,530,780	$1,762,951,050	$4,920,379,506
Share of Spending by Non-Nevada Visitors	79.0%	65.1%	63.9%
Spending by Residents	$116,040,305	$943,927,763	$2,778,489,310
Share of Spending by Residents	21.0%	34.9%	36.1%
Total Taxable Spending by Non-Nevada Visitors and Residents	**$553,571,085**	**$2,706,878,812**	**$7,698,868,816**

Non-Nevada visitors are estimated to comprise 64 to 79 percent of taxable consumer spending in the area. The results are primarily attributable to the large number of hotel rooms within the area that cater to non-resident consumers. Similar profiles and spending patterns have supported retail venues such as the Forum Shops at Caesars Palace, the Grand Canal Shoppes at The Venetian, Miracle Mile at Planet Hollywood, the Las Vegas Premium Outlets downtown and the newly opened Town Square. Proximity to lodging accommodations has been a principal driver of success and sales. That said, the expectation that visitors will dominate the customer mix at the subject site is reasonable.

ECONOMIC IMPACT CONSIDERATIONS

In addition to the quantifiable fiscal impacts associated with the proposed development, it is also important to note that a number of economic benefits will likely inure from the proposed development. Potential benefits include economic expansion and diversification, expansion of the overall employment base and creation of wage and salary payments for local residents.

To identify and model the impacts in the southern Nevada economy, IMPLAN (Impact Analysis for Planning) software and databases were used. IMPLAN is an input-output model (or econometric system). It utilizes complex economic equations to explain how the "outputs" of one industry become the "inputs" of others, and vice versa. This relationship is sometimes referred to as the "multiplier effect," illustrating how changes in one sector of the economy can affect other sectors.

The notion of multipliers rests upon the difference between an "initial effect" and the "total effects" of that change or stimulus. Generally speaking, these effects are segmented into direct impacts, indirect impacts and induced impacts. Each is described below.

1. ***Direct impacts*** measure the effects of the specific impacting force being considered. In this case, for example, retail-related positions generated by the Mixed-Use Development are considered direct jobs and the wages and salaries they are paid are considered direct personal income.

2. ***Indirect impacts*** consider how other businesses respond to the impacting condition. Employees of clothing suppliers, for example, are considered indirect employees to the extent their jobs are dependent, in full or in part, on the suppliers' income generated by the Mixed-Use Development-related purchases.

3. ***Induced impacts*** measures the effects of increased (or decreased) consumer expenditures resulting from wage and salary payments sourced to an impacting condition. In the present case, for example, if a new person were to be employed by the Mixed-Use Development, she might be expected to spend a portion of her monthly salary at the supermarket, the local movie theater or on a family vacation. Induced effects capture the impacts of this spending as it "ripples" through the local economy.

4. ***Total effects*** are the sum of direct, indirect and induced effects.

Input-output models, as is the case with all econometric models, are not without their limitations. The statistical model used in this analysis, IMPLAN, for example, assumes that capital and labor are used in fixed proportions. This means that for every job created or lost, a fixed change in investment, income and employment results. In reality, developers, consumers and governments respond to stimuli in complex ways, including changing the mix of capital or labor as well as the types and frequencies of investment. Importantly, each impacting force has its own unique characteristics, affecting how consumers and businesses respond to the given change.

From an economic impact perspective, this analysis considers the effects during the construction phase and the operations following the completion of construction.

APPLIED ANALYSIS

CONSTRUCTION PHASE

Exhibit 32
Construction Phase Impact Summary
(One-Time Impacts; $ in Millions)

	Employment	Wage & Salary Payments	Economic Output
All Programmed Uses (Including Casino)			
Direct	1,125	$48	$208
Indirect	427	$13	$52
Induced	450	$12	$49
Total	**2,003**	**$73**	**$309**
All Programmed Uses (Excluding Casino)			
Direct	1,031	$44	$191
Indirect	392	$12	$48
Induced	412	$11	$45
Total	**1,835**	**$66**	**$283**

Exhibit 33: Construction Employment Impacts

Total Clark County Impact = 2,003 Person Years of Employment

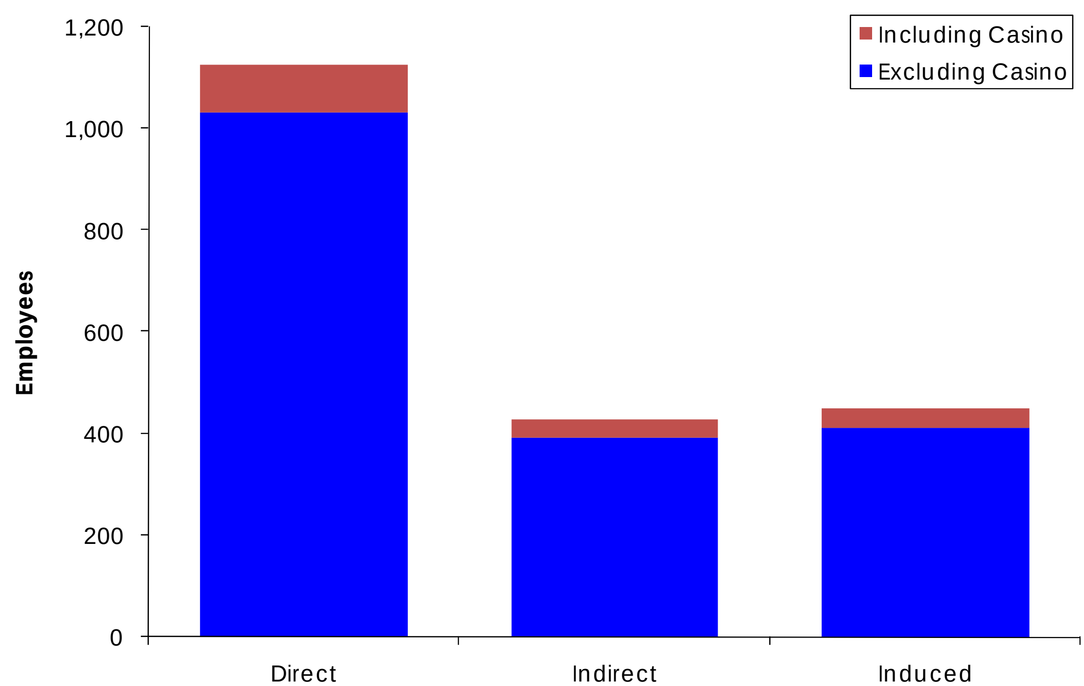

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Exhibit 34: Construction Wage & Salary Impacts

Total Clark County Impact = $73 million; Average Annual Direct Salary = $42,690

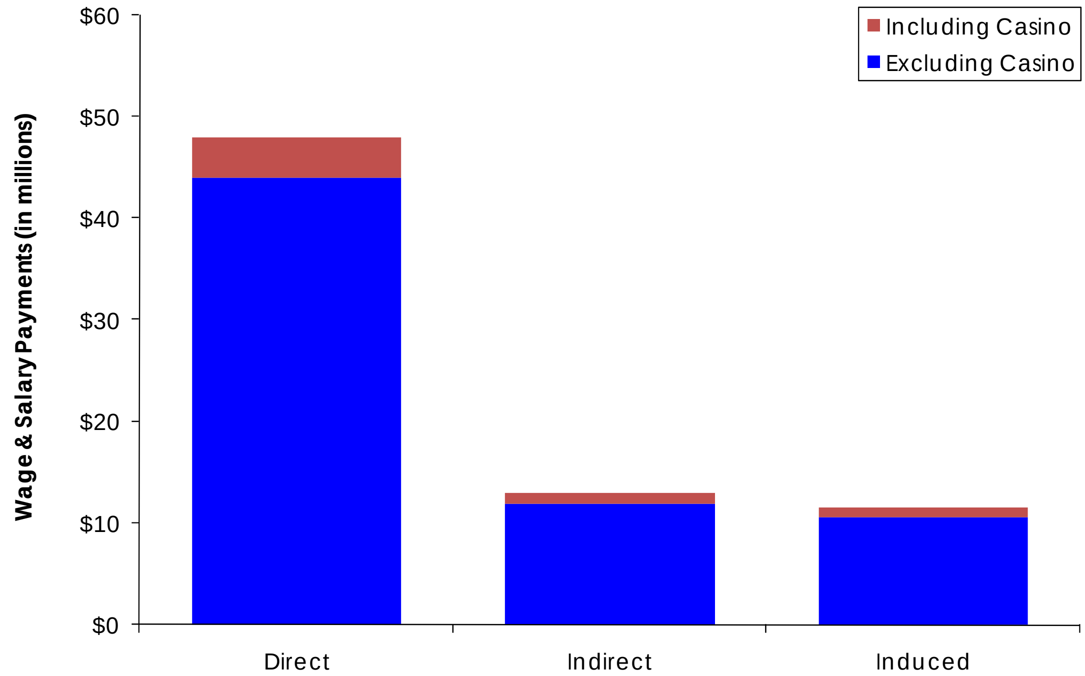
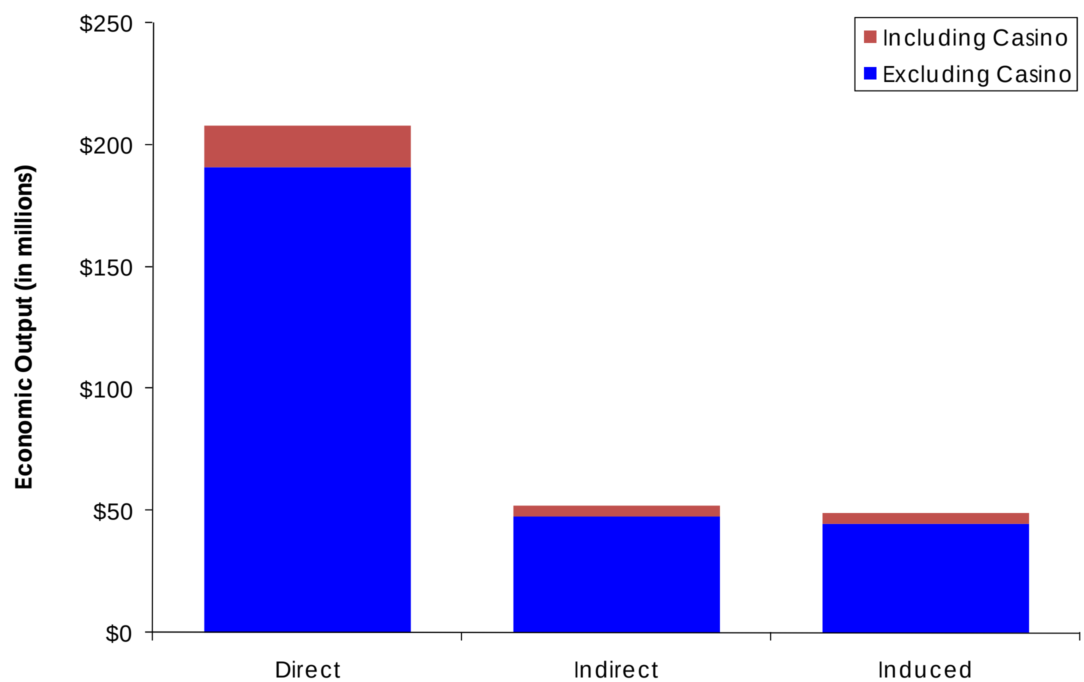


Exhibit 35: Construction Economic Output Impacts

Total Construction Costs = $208 million (excluding land and finance costs)

Aggregate Spending in Clark County = $309 million

For Every $1.00 Spent a Total of $1.49 Is Spent Throughout Clark County



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APPLIED ANALYSIS

Operations Phase

Exhibit 36
Operations Phase Impact Summary
(Annual Impacts; $ in Millions)

	Employment	Wage & Salary Payments	Economic Output
Proposed Development			
Direct			
Retail	505	$27	$52
Museum (Former Post Office)	89	$4	$17
Office	846	$35	$68
Hotel	199	$12	$25
Casino	256	$8	$43
Total	1,895	$85	$206
Indirect			
Retail	102	$4	$11
Museum (Former Post Office)	74	$3	$7
Office	190	$7	$18
Hotel	46	$2	$6
Casino	79	$4	$10
Total	492	$19	$51
Induced			
Retail	189	$7	$19
Museum (Former Post Office)	90	$3	$9
Office	255	$9	$26
Hotel	75	$3	$8
Casino	127	$5	$13
Total	736	$26	$76
Total			
Retail	796	$37	$83
Museum (Former Post Office)	253	$9	$33
Office	1,292	$51	$112
Hotel	320	$16	$39
Casino	462	$16	$66
Total	**3,123**	**$130**	**$333**

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Exhibit 37: Operations Employment Impacts

Total Clark County Impact = 1,895 Persons Employed Annually

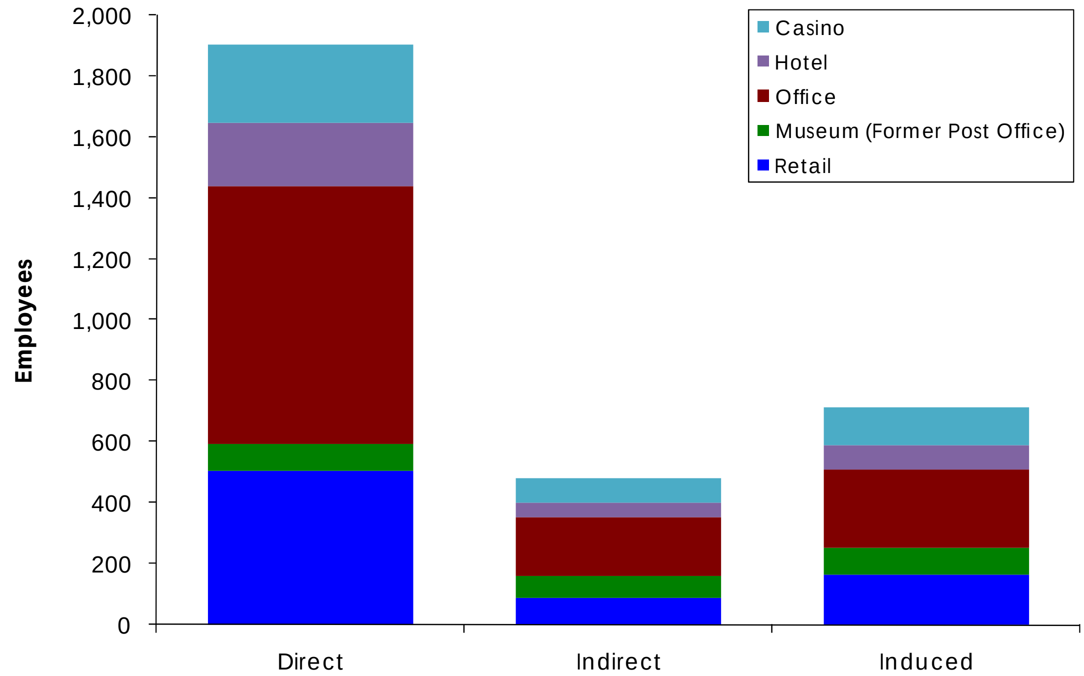
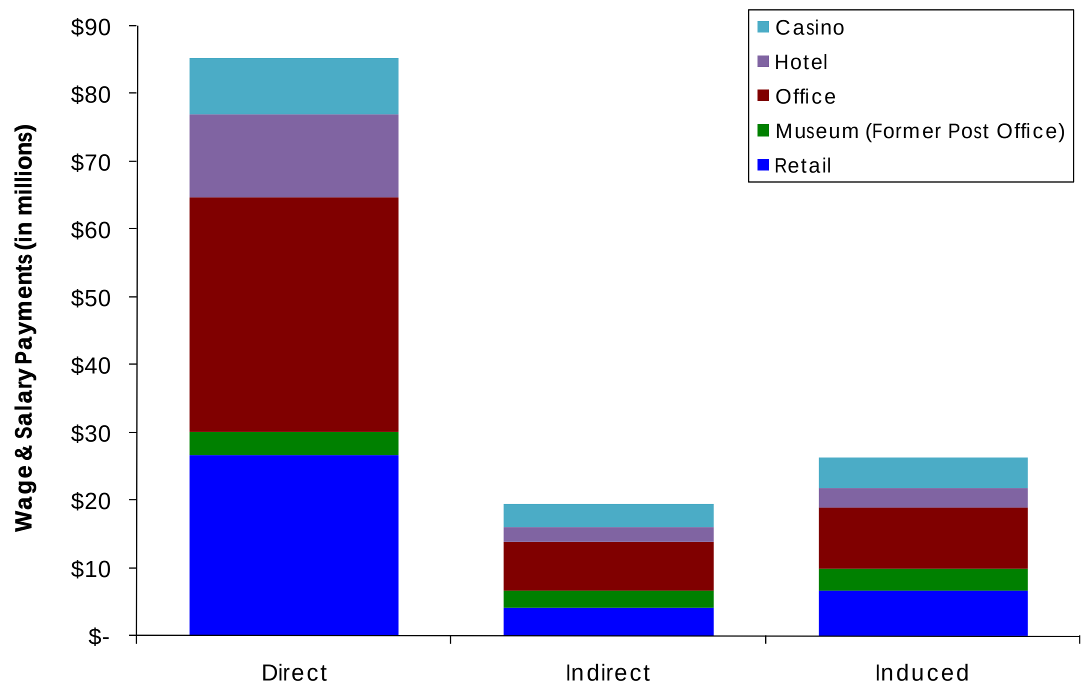


Exhibit 38: Operations Personal Income Impacts

Total Wages & Salaries Paid = $85 million



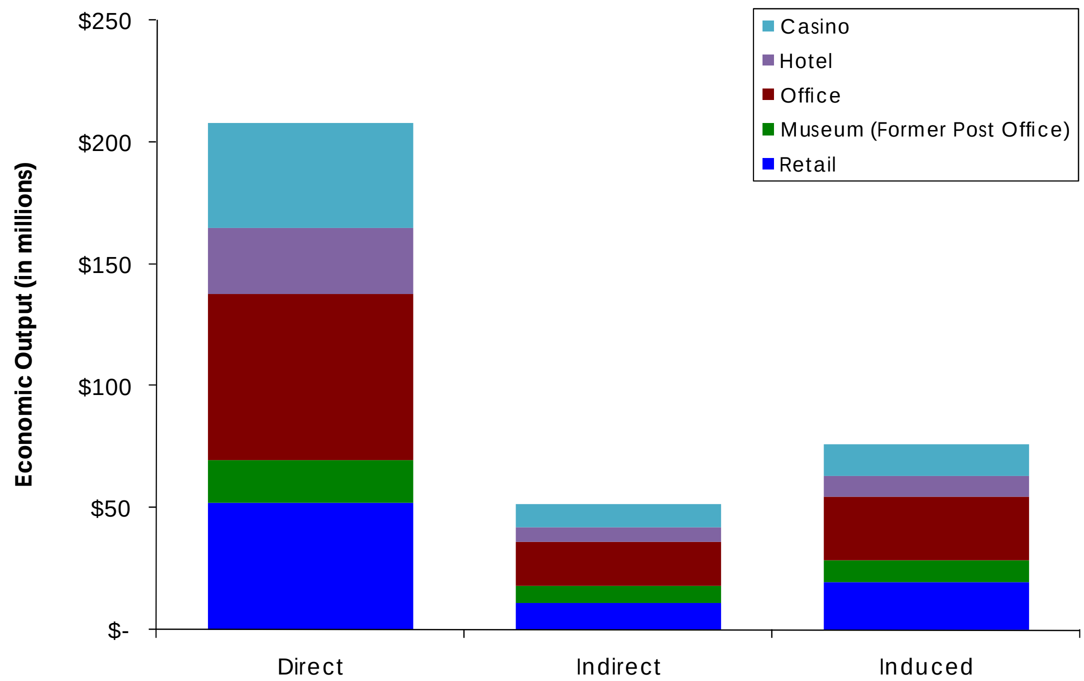
APPLIED ANALYSIS

Exhibit 39: Economic Output Impacts

Direct Annual Economic Output = $206 million

Total Economic Annual Output = $333 million

For Every $1.00 Spent a Total of $1.62 Will Be Spent Throughout the Economy



INTENDED USE OF THIS STUDY

The objective of this analysis is to address three key specific requirements identified in *Chapter 271A – Tourism Improvements* of the Nevada Revised Statutes:

1. Will the Project and the financing thereof have a positive fiscal effect on the provision of local government services? *(addressing requirements outlined in NRS 271A.080.3(a) – (d))*

2. As a result of the Project, will retailers locate their businesses within the District and will there be a substantial increase in the proceeds from the sales and use taxes remitted by retailers within the District? (addressing requirements outlined in NRS 271A.080.6(a))

3. As a result of the Project, will the preponderance of the increase in proceeds from sales and use taxes be attributable to transactions with tourists who are not residents of the state of Nevada? (addressing requirements outlined in NRS 271A.080.6(b))

PERTINENT DATES

Preparation of this written summary was completed on November 30, 2008. Generally speaking, the data referred to herein are as of October 2008, the most recent data available at the time this report was drafted.

EXTENT OF THE DATA COLLECTION PROCESS, MARKET RESEARCH, AND UNDERLYING ANALYSES

At the time this report was drafted, incomplete information was available regarding the programmed tenant mix and potential performance. As such, several assumptions were derived from publicly-available datasets to supplement our analysis. Note that totals may not sum due to rounding.

Included in this report is an overview and analysis of the potential economic and revenue impacts associated with the Mixed-Use Development in Las Vegas, Nevada after giving effect to the creation of the District. Data used in this analysis were obtained from the Company and third-party data providers, including state and local governments and agencies. While we have no reason to doubt the accuracy of the information referenced herein, we have neither audited these data nor performed thorough review and assurance procedures, and as such, AA can make no representations or assurances as their completeness or usefulness for all purposes.

AA was not retained to perform a market or financial feasibility study for the District. The analysis contained herein assumes that the construction and operation of the Mixed-Use Development is feasible, that sufficient demand exists to support the Mixed-Use Development as planned and management will be both competent and effective. Operational impacts assume stabilized performance in hypothetical future years. Unless stated otherwise all figures are expressed in constant 2008 dollars.

Fiscal estimates were developed by AA based on information available from public state and local sources, including, without limitation, the Nevada Department of Taxation, the Nevada State Gaming Control Board, the Clark County Assessor's Office, the Nevada Department of Employment, Training and Rehabilitation and Clark County. We have focused on the largest sources of revenue due to the volume and *de minimis* nature of minor sources.