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An Assessment of the Proposed Symphony Park Tourism Improvement District in Las Vegas, NV

November 20, 2014



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Honorable Mayor and Councilmembers
City of Las Vegas
495 S Main Street
Las Vegas, NV 89101

Honorable Chair and Commissioners
Clark County
500 S. Grand Central Parkway
Las Vegas, NV 89155

Re: Symphony Park Tourism Improvement District

Honorable Ladies and Gentlemen,

On behalf of Civitas and Tourism Economics, we are pleased to present the enclosed report on the proposed Symphony Park Tourism Improvement District.

Per direction from the Las Vegas City Council's resolution number 20-2014, our team of independent consultants was hired to prepare a report on the anticipated economic impacts of the Symphony Park Tourism Improvement District. We have prepared the report in accordance with NRS 271A regarding tourism improvement district formation. Throughout the drafting process we worked closely with City Staff, who have been most helpful in its preparation.

We look forward to presenting our findings to you, and to visiting the future Symphony Park TID!

Best regards,

John Lambeth,
President & CEO
Civitas

Adam Sacks,
President
Tourism Economics

Contents

Executive Summary	2
1 Introduction to the Project.....	3
1.1 Symphony Park project.....	3
1.2 Study scope	3
1.3 Study methodology	4
1.3.1 Sales and Associated Tax Revenues	4
1.3.2 Cost of Government Services.....	6
2 Estimates of Sales and Tax Revenues.....	7
2.1 Inside the district	7
2.2 Displacement impact on sales outside the district	11
2.3 Other potential sources of revenue.....	12
3 Preponderance of Revenue from Out of State Visitors.....	14
3.1 Preponderance of revenues statute.....	14
3.2 Local spending as a share of total mall sales.....	14
3.3 Visitor spending as a share of total mall sales.....	16
3.4 Final retail spending shares at the mall	17
3.5 Retail spending shares in the mixed-use portion of Symphony Park	18
3.6 Preponderance for the project overall.....	18
4 Economic Impact Analysis	21
4.1 Direct and total economic impacts	21
5 Government Services.....	22
5.1 Education	22
5.2 Police and Fire Protection	22
5.3 Other Services	23
6 Conclusions.....	24
7 About Us	25

Executive Summary

The City of Las Vegas is considering forming a Tourism Improvement District in the Symphony Park area, pursuant to Nevada Revised Statutes 271A. The District expects to pledge up to 75% of the amount of proceeds of taxes collected in the Tourism Improvement District and distributed to the City pursuant to NRS 271A.070 to finance a project as defined in NRS 271A.050, including a parking garage in the Symphony Park project.

Before the City can create the District, an Independent Consultant from outside of Nevada must submit a report considering the impact of the project. In the summer of 2014, the City selected California-based Civitas Advisors, a firm specializing in Tourism Improvement Districts, and Pennsylvania-based Tourism Economics, a firm specializing in the economic impact of tourism, to conduct the study.

Components of the Symphony Park project relevant to this analysis of sales and tax revenues in the proposed TID include the residential units and associated retail spending, the three hotels, the new retail space in the mixed-use portion of the development, and the mall expansion at Las Vegas North Premium Outlets mall.

The scope of this analysis includes the following key questions:

1. What is the amount of government tax revenues that will be received due to sales that will occur within the proposed TID?
2. Will a preponderance of the increase in sales and use taxes within the proposed district be from non-Nevada residents?

In order to answer these key questions estimates of the amount of sales and associated tax revenues to be generated within the proposed TID have been developed. Further, the shares of sales coming from local, non-local and non-Nevada sources are also presented. In order to develop these estimates, the most current, high quality data sources were used whenever available. These data sources included industry and government sources, as well as the Las Vegas CVA and publicly available corporate documents from Simon Properties.

The analysis considers a five year time horizon from 2016 to 2020, and assumes that all project components are complete and operational by 2016. We find that a preponderance of expected sales and tax revenues generated will come from non-Nevada visitors to Las Vegas:

- For the project overall, a total of \$1.1 billion in spending is expected to occur within the proposed TID, including \$870 million in retail spending and \$244 million in accommodations spending.
- Total tax revenues are expected to sum to \$66.3 million, including \$37 million in sales tax revenues and \$29.3 million in hotel tax revenues.
- The preponderance of sales tax revenues is expected to be generated by non-Nevada visitors to Las Vegas; \$20.4 million of the \$37 million, for a share of 55.2%, will come from out of state visitors.

1 Introduction to the Project

1.1 Symphony Park project

The Symphony Park re-urbanization and revitalization plan was originally proposed by the City in 2000. The project's aim is to convert the neighborhood into a diverse and world-class destination. Project design also emphasizes better use of the urban landscape with a proposed property and facility layout that will be denser than other parts of the City. Such a design will enable the most efficient use of land and could also reduce construction and long run costs, such as maintenance and energy costs. The project design is mixed-use in character and will feature several components, such as residential housing, portions of a premium outlet mall, retail space, professional office buildings, parking areas, and three hotels. The neighborhood is expected to be a place where locals will live, work, play and shop, and a destination for visitors from outside of Nevada.

The project shown to the right, once completed, is expected to include approximately:

- 1,092,000 square feet of office buildings
- 16,451 parking spaces
- 1,878 residential units
- 257,000 square feet of retail space
- Three hotels with 1,650 hotel rooms
- 150,000 square feet of expanded retail space in the adjacent Las Vegas North Premium Outlets mall, on top of the existing 435,000 square feet of mall facilities.

The proposed District is located in Downtown Las Vegas, and includes parcels adjacent to Grand Central Parkway and Bonneville Avenue.

1.2 Study scope

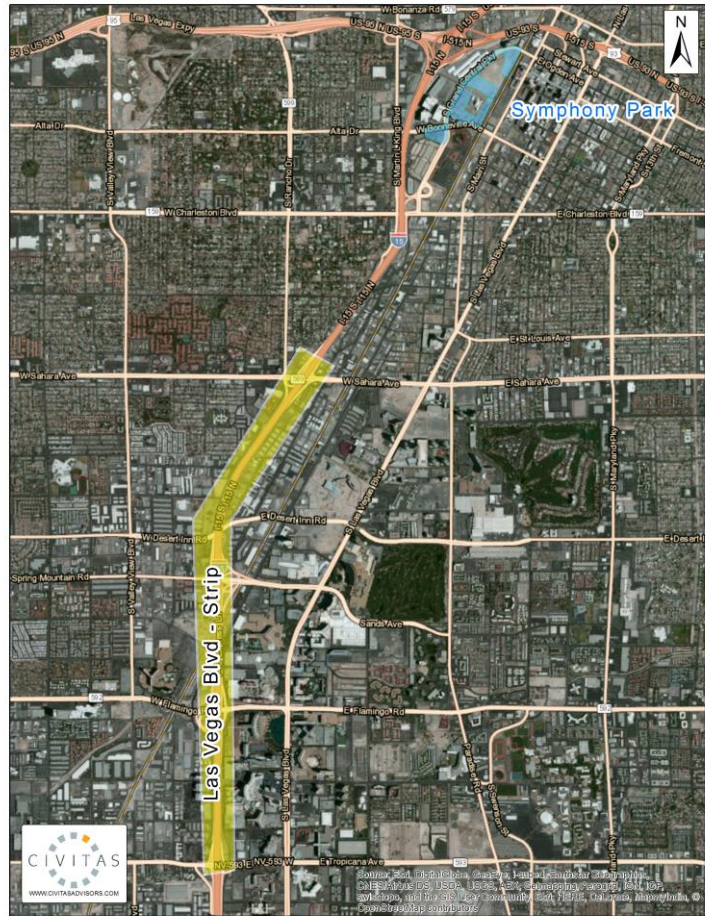
Components of the Symphony Park project relevant to this analysis of sales and tax revenues in the proposed TID include the residential units and associated retail spending, the three hotels, the new retail space in the mixed-use portion of the development, and the mall expansion at Las Vegas North Premium Outlets mall. The scope of this analysis includes the following questions:

1. What is the amount of taxes and other government revenue that will be received as a result of the project?



2. How will any money pledged per 271A.070 be used?
3. Will there be an increase in the cost of government services as a result of the project?
4. How much money – in sales and use taxes – will the project generate from businesses located outside the District?
5. How much money – in sales and use taxes – will the project generate from businesses located within the District?
6. Will a preponderance of the increase in sales and use taxes within the District be from non-Nevada residents?

Each of these questions is examined in detail in the following pages.



1.3 Study methodology

1.3.1 Sales and Associated Tax Revenues

The key questions of this analysis included estimates of the amount of sales and associated tax revenues to be generated within the proposed TID. The approach consisted of the following steps:

1. Develop estimates of retail sales at the current mall and likely sales at the mall expansion, as well as retail sales expected at new retail stores in the Symphony Park development. Retail sales estimates are based on sales per square foot averages.
2. Estimate local demand as a share of total retail sales at the mall, and corroborate with an estimate of visitor retail demand as a share of total sales at the mall. Local and visitor shares of demand are based on a demand density concept, in which the geographic distribution of demand is a function of distance.
3. Estimate local and visitor shares of demand for the retail sales in the mixed-use portion of the project.
4. Estimate accommodations spending in the proposed TID based on the expected additional room capacity, occupancy, and room rates.

5. Estimate Sales and Use tax revenues and hotel tax revenues based on retails sales and hotel spending in the proposed TID.
6. For purposes of this analysis, it is assumed that all project components are operational by 2016.

In order to develop these estimates, the most current, high quality data sources available were employed. These data sources included:

- Smith Travel Research (STR) data on the location of hotel properties and the room inventory in the Las Vegas metro area.
- Data from the Las Vegas Convention and Visitors Authority (LVCVA) covering hotel sector metrics including room revenues, tax collections, room demand, occupancy rates, and average daily room rates.
- Visitor profile data covering demographics, origin of visitors, and average visitor expenditures, and a tourism economic impact analysis were obtained from the LVCVA.
- Data from the Bureau of Economic Analysis (BEA) covering population, industry employment, wages, and gross output for the US, Nevada, and Clark County.
- The US Census Bureau provided industry metrics including sales and employment data for the retail and accommodations industries.
- Data covering industry metrics for the retail industry, such as gross sales and margins, were obtained from the US Census Bureau.
- Publicly available corporate documents from Simon Properties included periodic financial statements and annual reports that provided average sales per square foot for their more than 200 mall properties.
- A variety of press reports were used to compile estimates of sales per square foot at malls in Las Vegas and in other parts of the US. Public statements regarding the expected plans for expansion at Las Vegas North Premium Outlets malls were also considered.
- Information on the current taxes relevant to this analysis was obtained from the Nevada Department of Taxation, and reports analyzing hotel tax rates in US states and cities, produced by STR and HVS, and hospitality consulting firm.
- Project details regarding the Symphony Park development and the proposed TID were obtained from Symphony Park Design Standards document, and from the City of Las Vegas Planning Department staff.
- Economic impact estimates were made using IMPLAN software, the industry standard for such analysis.

1.3.2 Cost of Government Services

The second set of questions to be answered relate to the cost of government services. The approach to each of these analyses is detailed later in this report. For these analyses, data from the Clark County School District, City of Las Vegas, Las Vegas Fire & Rescue Department, and Las Vegas Metropolitan Police Department (LVMP) were reviewed. Much of this data covered Clark County in its entirety; the data was adjusted to reflect only the population and estimates for the City of Las Vegas.

2 Estimates of Sales and Tax Revenues

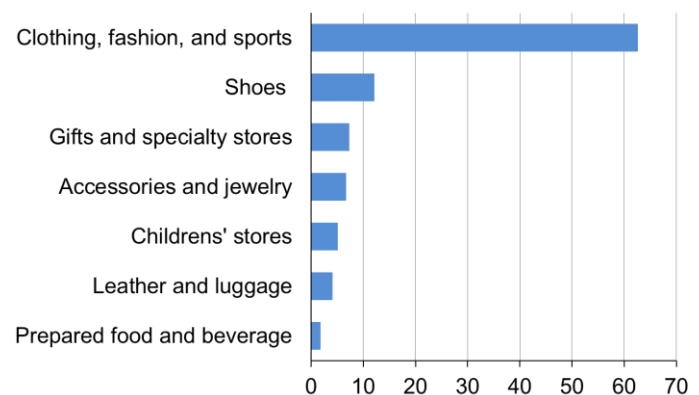
Key Findings:

- Over a five-year time horizon, a total of \$1.1 billion in sales is expected in the proposed TID.
- This includes a total of \$870 million in retail sales and \$244 million in accommodations spending.
- Total tax revenues generated within the proposed TID are expected to sum to \$66.3 million.
- These tax revenues will consist of \$37 million in gross Sales and Use tax revenues and \$29.3 million in hotel tax revenues.

2.1 Inside the district

Sales and Use tax revenues will be driven by total taxable sales, or retail spending in the proposed TID. Spending in the proposed Symphony Park Tourism Improvement District will be generated from two sources: (1) the expansion of the Las Vegas North Premium Outlets mall, and (2) the mixed-use portions of the parcels to be developed in the Symphony Park area. Spending at the mall expansion and in the mixed-use portions of the development will consist of a mix of local spending and visitor spending. The visitor spending portion will consist of spending from visitors to Las Vegas from other parts of Nevada and those from outside of the state. The expansion of the Las Vegas North Premium Outlets mall will add 150,000 square feet of leasable retail space to the current 435,000 square feet. Based on average square feet at US malls by store type, and a mix of stores similar to the existing portion of the mall, the expansion would add approximately 25-30 stores, depending on the size of the larger anchor stores, such as Saks Fifth off 5th.¹ The mall is currently completely occupied with tenants, as is the Premium Outlets South mall, also owned by Simon Properties. The assumption worked into this analysis is that all leasable space in the expansion will be occupied by

Mix of retail in Premium Outlets North Mall
Estimated share of total space, %



Source: Tourism Economics

¹ Local press reports cite the number of the additional stores expected to be 25:

<http://www.vegasinc.com/business/2012/sep/25/25-store-expansion-planned-downtown-outlet-mall/>

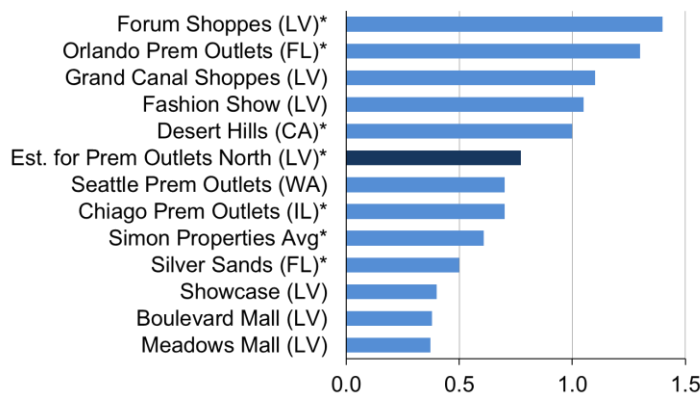
business tenants, and the mix of retail space would be approximately similar to that in the current mall.

Total sales in the expanded portion of the mall are based on estimates of average sales per square foot (sq ft) at the existing mall. The existing mall is a premium outlet mall, which tends to achieve higher sales per sq ft than typical regional malls. The estimate of sales per sq ft at the existing Premium Outlets North is \$773 per sq ft, and this is considered to be a conservative estimate and the actual sales per square foot figure is likely to be greater.² This estimate was developed based on the mix of 167 stores in the current mall, estimated sales per sq ft, and size of the stores. Other similar Simon Properties malls in the US achieve higher sales per sq ft. The average figure for all Simon Properties malls was \$608 as of the second quarter 2014, but this average was likely weighed down by the inclusion of about 160 regional malls in the average.³ Other malls in Las Vegas, particularly those on the Strip, also average much higher sales per sq ft, such as the Forum Shoppes owned by Simon Properties with estimates at \$1,400 in sales per sq ft.⁴ Based on the planned expansion of 150,000 sq ft at the Las Vegas North Premium Outlets mall and the average sales per sq ft of \$773, total sales from this portion of the proposed TID would amount to \$115.9 million in 2016.

The mixed-use portion of the proposed Symphony Park development inside the TID will consist of new facilities on 12 parcels currently open or undeveloped. The project design includes a residential component on five of the parcels, new retail space on eight of the parcels, a hotel each on three parcels, and office space planned for six parcels. In all, a total of 257,000 sq ft of additional retail space is planned across the development with most new

Sales per Square Foot for Select Malls

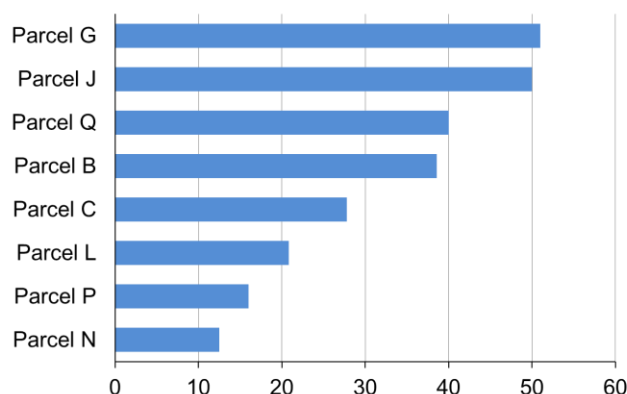
Sales per sq ft, \$ ths



Source: Tourism Economics compilation from press reports and Simon Properties corporate documents; (*) indicates Simon Properties mall.

Planned Retail Space by Parcel

Square feet, ths



Source: Project document "Symphony Park Design Standards"

² According to CB Richard Ellis, a leading commercial real estate firm with a presence in most US markets, the Las Vegas Premium Outlets – North “boasts one of the highest per square foot sales numbers in the country,” document available at http://www.cbre.us/o/ontario/assetlibrary/SM_Fashion_Alley.pdf

³ Simon Properties 2014 financial statement for second quarter of 2014: <http://investors.simon.com/phoenix.zhtml?c=113968&p=irol-newsArticle&ID=1950168>

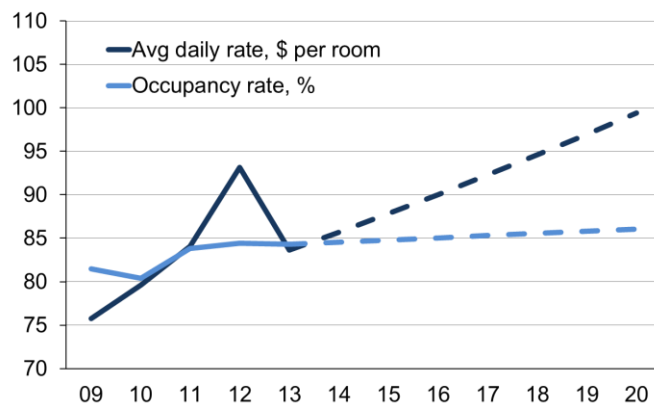
⁴ Press report: <http://gqbmagazine.com/issue/vol-12-no-5-may-2013/article/shop-til-you-drop>

retail space on parcels G and J. Based on an assumed sales per sq ft of \$200, total retail sales in this part of the proposed TID would amount to \$57.3 million in 2016. It is assumed that all project components are operational in 2016.

The three hotels would add 1,650 rooms of capacity in the proposed TID. Based on an assumed occupancy rate of 85.1%, and an estimated average daily rate of \$90.05 per night, total room revenue raised would amount to \$46.1 million in 2016. These increases in revenues assume that the hotel market tightens slightly over the time horizon of the analysis, and that room rates increase as occupancy rates rise. These expectations are consistent with those for the hotel market in Las Vegas and elsewhere, and reflect general strengthening in industry indicators over the next five years.

Sales tax revenues in the TID would be a function of total sales and are displayed in Table 2 below. Retail sales in the TID would amount to \$167.3 million in 2016. Assuming tax rates are unchanged from now until then, at 4.25%, tax revenues raised from spending inside the TID would amount to \$7.1 million in 2016, with net tax proceeds to the TID of \$5.2 million.⁵ With a tax rate of 12%, total hotel tax revenues raised would sum to \$5.5 million in 2016.

Hotel Metrics



Sources: LVCVA and Tourism Economics

⁵ The tax rate of 4.25% and an actual net of 75% of these tax proceeds, less a 1.75% administrative fee, are based on NRS 271A.070, available here: <http://leg.state.nv.us/NRS/NRS-271A.html#NRS271ASec070>.

Table 1: Estimates of Spending in Proposed TID						
	2016	2017	2018	2019	2020	5-yr total/avg
1. Mall expansion						
Additional retail sq ft, ths	150	150	150	150	150	150.0
Estimated sales/sq ft	772.81	788.27	804.04	820.12	836.52	804.4
Total sales, \$mils	115.9	118.2	120.6	123.0	125.5	603.3
2. Mixed-use parcels						
Additional retail sq ft, ths	257	257	257	257	257	287
Estimated sales/sq ft	200.00	204.00	208.08	212.24	216.49	208.16
Total sales, \$mils	51.3	52.4	53.4	54.5	55.6	267.2
Additional hotel rooms	1,650	1,650	1,650	1,650	1,650	1,650
Supply, room-nights, ths	602.3	602.3	602.3	602.3	602.3	547.5
Occupancy, %	85.1	85.3	85.6	85.8	86.1	85.6
Demand, room-nights, ths	512.2	513.7	515.2	516.7	518.2	515.2
Average daily room rate, \$/room	90.05	92.30	94.61	96.97	99.40	94.7
Total room revenues, \$mils	46.1	47.4	48.7	50.1	51.5	243.9
3. Total spending in proposed TID						
Retail sales, \$mils	167.3	170.6	174.0	177.5	181.0	870.4
Hotel room revenues, \$mils	46.1	47.4	48.7	50.1	51.5	243.9
Total spending, \$mils	213.4	218.0	222.8	227.6	232.6	1,114.3

Table 2: Estimates of Tax Revenues in Proposed TID						
	2016	2017	2018	2019	2020	5-yr total/avg
Retail sales, \$mils	167.3	170.6	174.0	177.5	181.0	870.4
Tax rate: 4.25%						
Gross sales tax revenues, \$mils	7.1	7.3	7.4	7.5	7.7	37.0
Net TID sales tax (75% of gross)	5.2	5.3	5.4	5.6	5.7	27.3
Hotel revenues, \$mils	46.1	47.4	48.7	50.1	51.5	243.9
Tax rate: 12.00%						
Hotel tax revenues, \$mils	5.5	5.7	5.8	6.0	6.2	29.3

Note: administrative fees of 1.75% have been deducted from net TID revenues

2.2 Displacement impact on sales outside the district

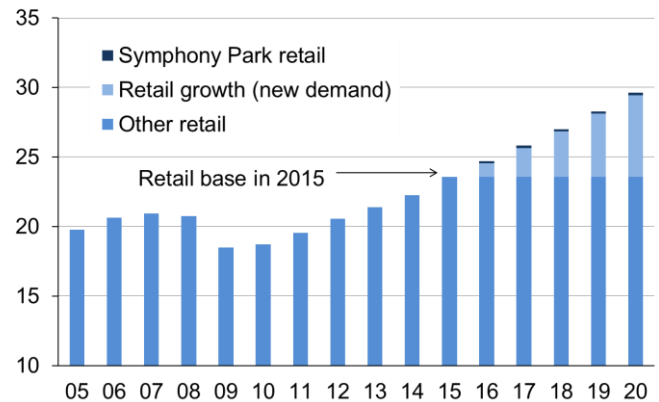
The new retail spending to occur inside the proposed TID would not likely result in the displacement of existing business sales and taxes collected by retailers located outside of the district. Conceptually, displacement of existing business outside the TID could occur if a new business comes online inside the TID or if an existing business outside the TID were to relocate inside the TID. Both types of potential displacement represent sales inside the TID that are offset by lost sales outside the TID. Neither of these potential scenarios is likely given the scale of the project, the size of the local retail market, and expected growth in retail sales.

The scale of the project is not sufficient enough to drive displacement concerns. For example, retail sales of under \$200 million per year account for a relatively small share of the large Las Vegas retail market. Total retail sales in Las Vegas are expected to amount to \$30.8 billion in 2015. Excluding retail sales of motor vehicles and parts, retail sales are expected to amount to \$23.6 billion in 2015. In addition to the large retail base in 2015, expected growth of 4.7% per year over the study time horizon will increase this base. Driven by local population growth in the Las Vegas metro area and by new visitor retail spending, growth will account for more than \$1.1 billion in new retail demand each year out to 2020, excluding motor vehicle and part retail sales. Therefore, strong growth in retail demand will more than allow new retail supply to come on line without displacing the existing retail base.

The hotel portion of the project presents some potential for displacement of sales outside of the TID. The potential for displacement stems from a hotel market where supply and demand are roughly in-line with each other when considering a long-term view. Both the room inventory and room demand have doubled since 1990. In the mid-2000's demand growth outpaced supply growth; in 2008 and 2009 demand weakened while supply grew. Since 2009, along with the broader economic recovery, demand has picked up while little supply has been added to the inventory of rooms. Considering the total room inventory of roughly 150,000 rooms, the addition of 1,650 rooms, or 1.1%, such supply growth is unlikely to outpace new demand over the forecast

Forecast of Las Vegas Retail: Versus Base

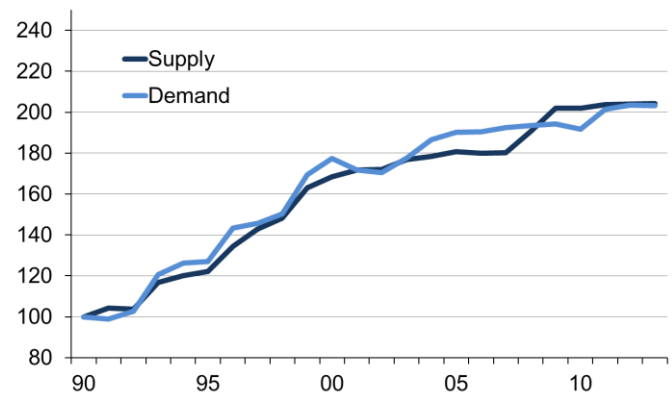
\$ billions, excludes retail sales of motor vehicles and parts



Sources: Oxford Economics and Tourism Economics

Hotel Market Fundamentals Since 1990

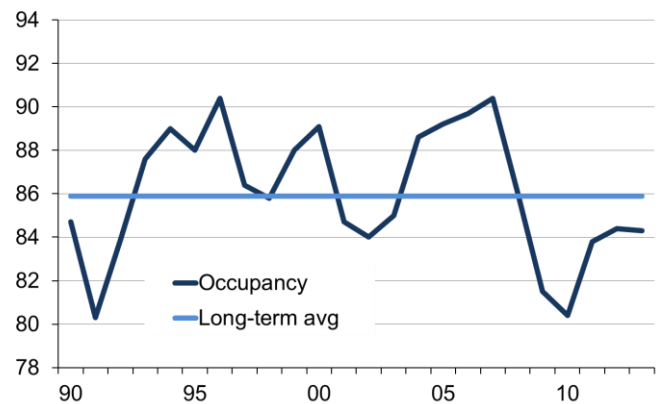
Room nights, index 100=1990



Sources: LVCVA and Tourism Economics

Hotel Market Still Has Room to Tighten

Occupancy rate, %



Sources: LVCVA and Tourism Economics

horizon. Room demand will be driven by visitor volume, which grew by more than 2% per year from 2009 to 2012, but decreased slightly in 2013. While the Las Vegas hotel market is expected to strengthen, some downside risk exists for visitation, and weaker than expected visitation would weigh on room demand and occupancy rates. Occupancy rates have increased since 2009, but have not yet returned to pre-recession levels. Therefore, the risk of displacement of hotel revenues outside of the proposed TID is relatively small, but is directly tied to demand.

2.3 Other potential sources of revenue

In addition to revenues from the Sales and Use Tax and Hotel Tax (also called Transient Occupancy Tax), revenues could be raised from other sources. Most revenue sources would not be considered incremental revenues, that is, revenues that would not be generated but for the TID. Most revenues examined below are likely to exist irrespective of the formation of the TID. Potential revenue sources include:

- Ad Valorem (Property) taxes: Owners of real property pay Ad Valorem tax based on the assessed value of their land or structures on “improved” land.⁶ After construction of the new mall facilities and the facilities in the mixed-use portion of the proposed TID, the improvements to the land will increase the assessed value of real property. The higher assessed value will clearly result in additional Ad Valorem tax paid, versus those paid on the currently undeveloped land.
- Nevada’s Modified Business Tax is paid by all employers based on gross wages paid less healthcare costs. Businesses with less than \$85,000 in wages after healthcare costs are deducted are exempt from the tax. Financial institutions pay 2% on gross wages less healthcare costs, and there is no exemption for smaller financial institutions as for general businesses.⁷ The proposed TID will include numerous businesses that are not in operation now at Symphony Park. Some of the new businesses within the proposed TID will clearly be above the \$85,000 in gross wages threshold and will pay the Modified Business Tax. Since most of the businesses that would pay the Modified Business Tax would likely do so irrespective of the creation of the TID, new revenues will be generated but would not be considered incremental.
- Motor Vehicle Fuel Tax: Consumers pay Motor Vehicle Fuel Tax based on volume of gasoline purchased. The state tax is 18.5 cents per gallon, the County tax is 6.35 cents and some counties, including Clark County, opt to charge additional fuel tax of 9 cents per gallon.⁸ Additional Motor Vehicle Fuel Tax would be driven by incremental

⁶ Nevada legislature informational document, available at <http://www.leg.state.nv.us/Session/77th2013/Exhibits/Assembly/TAX/ATAX346C.pdf>

⁷ Nevada Department of Taxation, available at http://tax.nv.gov/FAQs/Modified_Business_Tax_Information_FAQ_s/

⁸ Nevada Department of Transportation presentation, available at https://www.nevadadot.com/uploadedFiles/NDOT/About_NDOT/Board_of_Directors/Fuel%20Tax%20Indexing%2011-13-13.pdf

consumption of gasoline. It is unlikely the proposed TID would lead to meaningful, if any, incremental gasoline consumption above and beyond what would otherwise occur. Increases fuel tax revenues are not likely as a result of the TID.

- **Liquor Excise Tax:** Licensed importers in Nevada pay the Liquor Excise Tax on alcoholic beverages. The tax applies to beverages containing at least 0.5% alcohol by volume. These taxes would likely be paid irrespective of the formation of the TID. Although there are likely to be new revenues associated with the development versus what currently exists, the tax revenues would not be considered incremental.
- **Cigarette and Tobacco Products Tax:** Consumers pay taxes on packs of cigarettes and other tobacco products in Nevada. Cigarettes are taxed 80 cents per pack of 20 and \$1.00 per pack of 25.⁹ Similar to the other potential revenues sources, while these revenues would be on top of the existing revenue base, they would not be incremental and attributable to the TID.
- **Motor vehicle licensing and registration:** Residents in Nevada pay Motor Vehicle licensing and registration fees in Nevada. A non-commercial license fee is \$41.25 and registration of a typical vehicle costs \$33.¹⁰ It is unlikely that new vehicle licenses and registrations would be driven by the formation of the TID.
- **Insurance Premium Taxes:** Nevada requires insurers to pay a 3.5% tax on premiums for policies written in the state.¹¹ Similar to the other potential revenues sources, while new insurance premium taxes would be on top of the existing revenue base, they would not be incremental and attributable to the TID.
- **Gaming Tax and fees:** Nevada collects gaming license fees and a tiered percentage tax of gaming revenues.¹² One of the hotels to be developed on one of the Symphony Park parcels may contain casino space and Gaming taxes would be paid. These additional gaming tax revenues would come on top of the existing base of revenues, however since the casino is not dependent on the formation of the proposed TID, any new gaming tax revenues would not be incremental.

⁹ Nevada Department of Taxation, available at

http://tax.nv.gov/FAQs/Cigarette_and_Other_Tobacco_Products_Taxes_FAQ_s/

¹⁰ Nevada Department of Motor Vehicles, available at <http://www.dmvnv.com/dlfees.htm> and

<http://www.dmvnv.com/regfees.htm>

¹¹ Nevada Department of Taxation, available at http://tax.nv.gov/FAQs/Insurance_Premium_Tax_FAQ%E2%80%99s/

¹² Nevada State Gaming Control Board and Gaming Commission, available at

<http://gaming.nv.gov/index.aspx?page=94#non-monthly-percentage>

3 Preponderance of Revenue from Out of State Visitors

Key Findings:

- As a result of the project retailers will locate their businesses in the TID.
- As a result of the Project, there will be a substantial increase in the proceeds from sales and use taxes remitted by retailers with regard to tangible personal property sold at retail or, or stored, used or otherwise consumed, in the TID.
- Over a five year period, as a result of the Project, a preponderance of the increase in proceeds of sales and use taxes will be attributable to transactions with tourists who are not residents of the state.
- Taken as a whole, \$20.4 million out of \$37 million in Sales and Use tax revenues are expected to be generated by non-Nevada visitors to the City, for a share of 55.2%.

3.1 Preponderance of revenues statute

According to Nevada statute, analysis of the proposed TID must include estimates of “the amount of the proceeds of all taxes and other governmental revenue projected to be received as a result of the properties and businesses expected to be located in the district.” Further, as a result of the project, it must be shown that retailers will locate in the district, there will be a substantial increase in sales and use tax revenues, and that the “preponderance of that increase in proceeds from sales and use taxes will be attributable to transactions with tourists who are not residents of this State.” The preponderance threshold has been determined to be 50% or greater.

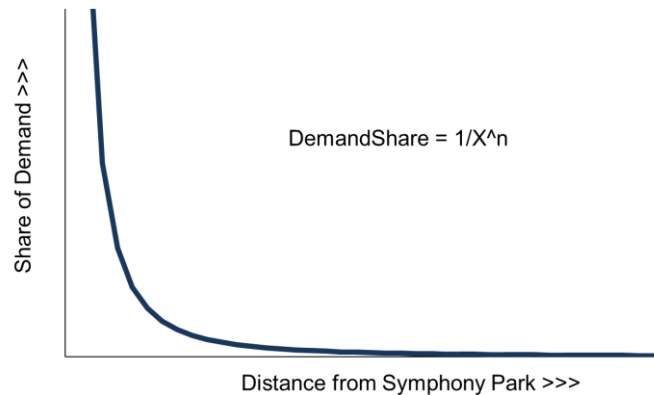
The shares of local, non-local, and non-Nevada visitor spending are the central issues in determining preponderance. Two approaches are taken to estimate these shares: (1) an estimate of local retail spending based on the geographic distribution of demand around the Symphony Park site, and (2) an estimate of non-local spending based on the geographic distribution of hotel rooms relative to the Symphony Park site. Both approaches account for non-Nevada visitor spending in addition to non-local spending.

3.2 Local spending as a share of total mall sales

In order to estimate local retail demand, a total geography study area is defined within a 20 mile radius around Symphony Park. This area covers all of the City of Las Vegas and virtually all populated areas of Clark County, with a total of just over 2 million residents. Key population centers in this area include the City of Las Vegas, Spring Valley, Paradise, Whitney, Henderson, and Boulder City. Retail spending per person in Clark County was estimated based on data from the Bureau of Economic Analysis (BEA) and the US Census. Demand density was estimated relative to the Symphony Park site, capturing the geographic distribution of retail demand based

on population. The demand density concept relates consumers' propensity to spend factoring in proximity to the retail location. As distance from the Las Vegas North Premium Outlets mall increases, local consumers are less likely to engage in retail spending at the site due to convenience and competitive realities on the ground – Las Vegas offers consumers many choices of retail outlets including high-end premium outlet options. Demand density assumes a gradual and smoothly diminishing propensity to shop at the Premium Outlets North the farther away residents live. The shape of demand density can be represented by demand as a function of distance, $DemandShare = 1/X^n$, where $DemandShare$ is the share of consumers' retail spending and X is distance from Symphony Park. The exponent n indicates the speed at which demand falls off. The higher the exponent the faster demand falls off and the greater the density of demand closer to the site. In this analysis, n is assumed to be 2, indicating rapidly diminishing demand given the many shopping options in Las Vegas.

Demand Density Curve



Sources: Tourism Economics

Considering the distribution of population around Symphony Park, retail sales per person, and the density of demand, an estimate of local retail spending likely captured at the Las Vegas North Premium Outlets mall was made. Table 3 below describes the steps made in this calculation. Retail sales per person are adjusted by discounting retail spending on motor vehicle and parts to capture the type of retail spending that occurs at the mall. After this adjustment, annual retail spending per person is estimated at \$7,087. The share of retail sales captured at the mall also account for the share of retail spending that occurs at malls and the share of households likely to shop at a high-end premium outlet mall.¹³ Total retail sales at the existing mall are estimated at \$336 million based on an estimated \$773 per sq ft and 435,000 sq ft of total leasable space.

¹³ The International Council of Shopping Centers (ICSC) estimates that more than half of all retail spending occurs at malls, <http://www.icsc.org/research/shopping-center-facts-and-stats>. Also, the assumption that households with a total annual income of greater than \$60,000 are more likely to shop at high end premium outlet malls is incorporated into the analysis.

Total local retail sales at the mall are estimated at \$127 million, or 37.7% of total sales. This implies that non-local spending at the mall accounts for 62.3% of sales. Virtually all non-local sales are made by out-of-state visitors. A small portion, an estimated 3% of non-local sales are attributable to visitors from other part of the state.¹⁴

Table 3: Local Share of Symphony Park Retail Sales

Radius (miles)	Total Retail Demand			Incremental Spending at Mall (\$mils)
	Population	(\$mils)	Share Captured, %	
1	40,545	287.4	19.4	55.7
2	90,190	639.2	4.8	17.0
3	166,333	1,178.8	2.2	11.6
4	312,945	2,217.9	1.2	12.6
5	507,249	3,595.0	0.8	10.7
6	659,423	4,673.5	0.5	5.8
7	847,817	6,008.7	0.4	5.3
8	945,735	6,702.7	0.3	2.1
9	1,058,409	7,501.2	0.2	1.9
10	1,153,529	8,175.4	0.2	1.3
20	2,008,654	14,235.8	0.0	2.9
Total local retail spending at Premium Outlets North, \$mils				126.9
Total mall sales, \$mils (\$773/sq ft x 435,000 sq ft)				336.2
Local share of sales				37.7%
Implied share of non-local sales				62.3%

3.3 Visitor spending as a share of total mall sales

This second approach estimates non-local spending as a share of sales based on the geographic distribution of hotel rooms around the Symphony Park site and estimates of visitor retail spending. Las Vegas has the largest inventory of hotel rooms of all US metro areas at a total of 148,000 rooms.¹⁵ Of these, more than 24,000 rooms are within 2 miles of the Symphony Park site and more than 90,000 are within 4 miles.

¹⁴ Visitors to Las Vegas that come from other parts of Nevada account for 3% of total visitors to the City, according to a nationally representative survey of travellers conducted by TNS. This figure was also cross-checked by Tourism Economics based on a visitation per population calculation.

¹⁵ Based on Smith Travel Research (STR) data available at <http://www.str.com/product/Trend/CustomTrend>; for context, the inventory of hotel rooms in Chicago is 108,000, 106,000 in New York, and 97,000 in Los Angeles.

Data on occupancy rates and visitor spending by category, including retail, are available from the Las Vegas Convention and Visitors Authority (LVCVA)¹⁶. The estimate of total visitor spending captured at the mall at Symphony Park is based on a similar demand density function described above. The share of visitor retail spending at the mall is a function of the concentration of hotel rooms around the mall. This approach results in non-local sales estimated at \$253 million, or 75.2% of total sales at the existing Las Vegas North Premium Outlets mall. Table 4 below displays the details of this calculation.¹⁷

Radius (miles)	Cumulative Room Inventory	Incremental Room Nights (mils)	Incremental Visitor Volume	Total Retail Demand (\$mils)	Share Captured,	Incremental Spending at Mall (\$mils)
1	8,145	2.5	1.8	220.4	50.0	110.2
2	24,267	4.9	3.6	436.3	12.5	54.5
3	36,901	3.9	2.8	341.9	5.6	19.0
4	90,004	16.3	11.8	1,437.2	3.1	44.9
5	124,527	10.6	7.7	934.4	2.0	18.7
6	132,252	2.4	1.7	209.1	1.4	2.9
7	134,257	0.6	0.4	54.3	1.0	0.6
8	138,175	1.2	0.9	106.0	0.8	0.8
9	142,333	1.3	0.9	112.5	0.6	0.7
10	144,745	0.7	0.5	65.3	0.5	0.3
20	147,795	0.9	0.7	82.5	0.1	0.1
Total non-local retail spending at Premium Outlets North, \$mils						252.8
Total mall sales, \$mils (\$773/sq ft x 435,000 sq ft)						336.2
Non-local share of sales						75.2%
Implied share of local sales						24.8%

3.4 Final retail spending shares at the mall

Based on the above-described approaches to estimating local and non-local shares of retail sales at Symphony Park, a final estimate of 68.7% non-local and 31.3% local is used in the analysis. Additional steps are taken to account for visitors to Las Vegas from other parts of the state to arrive at non-NV visitors and the associated spending.

	Local %	Non-local %
Approach 1	37.7	62.3
Approach 2	24.8	75.2
Final estimate (Avg)	31.3	68.7

¹⁶ Data obtained from LVCVA include hotel market statistics on revenues, tax collections, occupancy, room demand, and average daily rates, and visitor profile data, available at <http://www.lvcva.com/stats-and-facts/visitor-statistics/>

¹⁷ Assumptions included in these calculations include 84% occupancy, average party size of 2.4, average length of stay of 3.3 days, average retail spending of \$121 per person per day, and 50% of retail spending occurs in malls, based on LVCVA and ICSC data.

3.5 Retail spending shares in the mixed-use portion of Symphony Park

The local and non-local shares of retail spending in the mixed-use portion of the development were calculated based on the additional retail space expected on the parcels, and the density of local retail demand around the development. According to project design plans, 257,000 square feet of new retail space will come online as a result of the development. The type of retail expected in the development will be more targeted towards serving local demand driven by residents and employees of businesses at Symphony Park, and an assumed \$200 in sales per sq ft in 2016 is incorporated into the analysis. The local share of total retail sales is estimated based on the density of population around the development. Total retail sales are estimated at \$51.3 million in 2016, with local demand accounting for 70% of these sales. Estimates of sales are displayed in Table 7.

3.6 Preponderance for the project overall

The retail spending expected to occur within the boundaries of the proposed TID would be generated from two sources: the expansion of the Las Vegas North Premium Outlets mall, and the mixed-use development to occur at the Symphony Park site. When considering all retail sales associated with businesses expected to locate within the proposed TID, the preponderance of sales are expected to be generated from non-Nevada visitors to Las Vegas. Since tax revenues are a function of sales, the preponderance of new tax revenues generated by sales within the proposed TID would also come from non-Nevada visitors.

The mix of spending at the expanded portion of the Las Vegas North Premium Outlets mall at Symphony Park is assumed to be similar to that of the current mall, primarily driven by non-local visitor spending, including non-Nevada visitors to Las Vegas. Retail spending in the mixed-used portion of the development will be primarily generated from local demand.

The analysis starts in 2016, assumed to be the first full year of operations at the expanded mall, and is taken out five years to examine spending over time. Key assumptions incorporated into the analysis are retail sales per sq ft at the mall and in the mixed-use development increase by 2% per year to account for likely inflation. Nevada state sales tax applicable to sales within the TID is held constant at 4.25%, a portion of which (75%) would be dedicated to the TID.

Table 6 below displays sales estimates for the mall expansion and Table 7 the retail component of the mixed-use development parcels. Table 8 displays results for all retail spending in the TID. Over a five year time horizon, an estimated \$480.3 million out of a total \$870.4 million in retail sales are expected to be generated by non-Nevada visitors to Las Vegas, for a share of 55.2%. These estimates are displayed in Table 8. This share is above and beyond the preponderance threshold for Nevada statute.

Table 6: Out-of-State Visitor Spending: Mall Expansion

	2016	2017	2018	2019	2020	5-yr total/avg
Mall expansion						
Total retail sales, \$mils	115.9	118.2	120.6	123.0	125.5	603.3
Local sales, \$mils	36.3	37.0	37.7	38.5	39.2	188.7
Local share, %	31.3	31.3	31.3	31.3	31.3	31.3
Non-local sales, \$mils	79.7	81.3	82.9	84.5	86.2	414.6
Non-local share, %	68.7	68.7	68.7	68.7	68.7	68.7
Non-NV visitor sales, \$mils	77.3	78.8	80.4	82.0	83.6	402.1
Non-NV visitor share, %	66.7	66.7	66.7	66.7	66.7	66.7

Table 7: Out-of-State Visitor Spending: Mixed-use Development

	2016	2017	2018	2019	2020	5-yr total/avg
Mixed-use development						
Total retail sales, \$mils	51.3	52.4	53.4	54.5	55.6	267.2
Local sales, \$mils	35.9	36.6	37.3	38.1	38.8	186.6
Local share, %	69.9	69.9	69.9	69.9	69.9	69.9
Non-local sales, \$mils	15.5	15.8	16.1	16.4	16.8	80.5
Non-local share, %	30.1	30.1	30.1	30.1	30.1	30.1
Non-NV visitor sales, \$mils	15.0	15.3	15.6	15.9	16.3	78.1
Non-NV visitor share, %	29.2	29.2	29.2	29.2	29.2	29.2

Table 8: Out-of-State Visitor Spending: Total Project

	2016	2017	2018	2019	2020	5-yr total/avg
Retail sales, \$mils						
Mall expansion	115.9	118.2	120.6	123.0	125.5	603.3
Mixed-use development	51.3	52.4	53.4	54.5	55.6	267.2
Total retail sales	167.3	170.6	174.0	177.5	181.0	870.4
Non-NV visitor spending	92.3	94.1	96.0	97.9	99.9	480.3
Non-NV visitor share	55.2	55.2	55.2	55.2	55.2	55.2

Table 9 below displays expected tax revenues to be generated by both retail components of the TID. Over a five year time horizon for the retail components of the TID, an estimated \$37 million in tax revenues are expected to be generated. Per Nevada statute NRS 271A.070, three-quarters of these tax proceeds can be dedicated to the TID, less a 1.75% administrative fee, for a total of \$27.3 million. Of the total Sales and Use tax revenues generated, 55.2% is expected to come from visitors to Las Vegas who come from out of state, a total of \$20.4 million in gross revenues, and \$15.0 million in net revenues. This share of tax revenue generated is above and beyond the preponderance threshold mandated by Nevada statute.

Table 9: Non-Nevada Visitors Share of Tax Revenues						
	2016	2017	2018	2019	2020	5-yr totals
Total retail sales, \$mils	167.3	170.6	174.0	177.5	181.0	870.4
Non-NV retail sales, \$mils	92.3	94.1	96.0	97.9	99.9	480.3
<i>Non-NV share of retail sales</i>	55.2	55.2	55.2	55.2	55.2	55.2
Calculated at 4.25%						
Total Sales and Use tax revenues	7.1	7.3	7.4	7.5	7.7	37.0
Net to TID, 75% of gross, less fees	5.2	5.3	5.4	5.6	5.7	27.3
Non-NV Sales and Use tax revenues	3.9	4.0	4.1	4.2	4.2	20.4
Net to TID, 75% of gross, less fees	2.9	2.9	3.0	3.1	3.1	15.0
<i>Non-NV share of gross and net revenues</i>	55.2	55.2	55.2	55.2	55.2	55.2

4 Economic Impact Analysis

4.1 Direct and total economic impacts

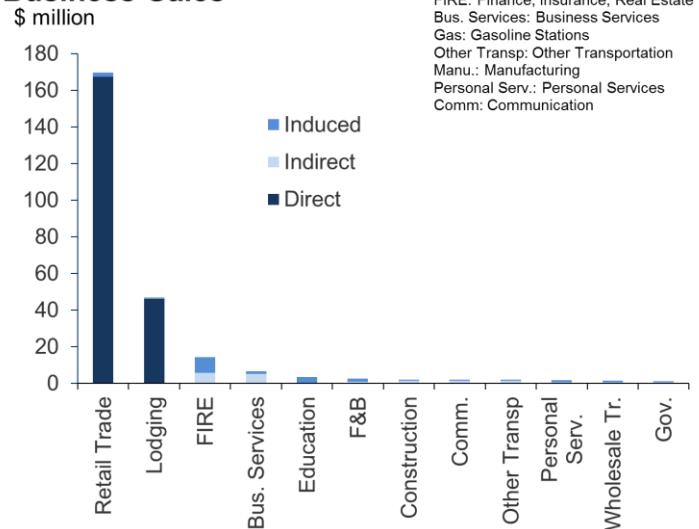
The spending expected to occur within the proposed Symphony Park TID would have benefits that extend beyond the direct spending, the first level of sales. These indirect effects are calculated in two categories: First, indirect effects result from the supply chain impact when new spending generates additional demand in supply chain industries. For example, direct spending at the hotels would result in additional demand in industries that supply the hotels with items and services such as furniture, linens, food and beverage, energy, other capital equipment and professional services like legal and accounting. Second, the direct spending and the additional demand placed on other industries both generate additional income for workers in those industries. A portion of the additional income earned is again spent in the local economy, and this is considered the induced effect. The direct effect plus the indirect and induced effects combined make up the total economic impact.

Impact modelling was conducted at the Nevada state level using the IMPLAN modelling system and impacts represent approximate annual impacts. Only retail and accommodations spending were considered for impact analysis as these impacts would be on-going. Temporary construction impacts are not considered. The total spending of \$213.4 million, in retail and accommodations, was used as the direct input for impact modelling.

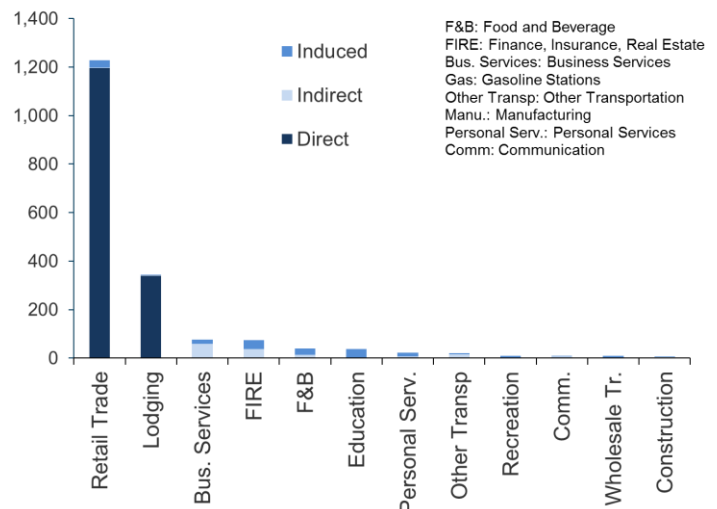
The economic impact of this direct spending, includes direct, indirect, and induced effects, and sums to \$255 million. Business sales (gross output) generate income and employment. The spending in the proposed TID would be associated with 1,847 full-time and part-time jobs, and \$61 million in income earned by area employees. The indirect and induced impacts are modest due to the significant amount of spending in the retail sector, which has lower margins and less value added than other industries. As a result, the multiplier effect in the regional economy would likely be modest. The impacts would span across most industries, as reflected in the charts to the right.

Impact of Spending in Proposed TID				
	Total sales (\$mils)	Value added (\$mils)	Income (\$mils)	Jobs
Direct	213.4	70.4	46.5	1,494
Indirect	18.7	12.2	6.8	160
Induced	23.0	14.6	7.5	194
Total	255.1	97.2	60.8	1,847

Business Sales



Employment by Industry



5 Government Services

To analyse the cost impact on the provision of government services, we contemplated three services as required by NRS271A: education, police, and fire.

5.1 Education

The proposed Symphony Park Development includes 1,878 new residential units which will attract new residents. It also includes 1,092,000 new square feet of office space, 257,000 retail and 1,650 hotel rooms, all of which will generate jobs. Typically, the demand for education increases as residential units increase. The number of residents expected for the 1,878 new housing units is 5,183, based on the 2010 Census average of 2.4 persons per unit, with a 15% modifier for the expected higher than average density in this development.

These housing units are expected to have a minimal impact on the demand for education. The neighborhood is expected to attract a live-work crowd, which tends to be either younger adults or career-focused individuals, without children. The availability of new housing units may bring down the cost of housing in the City, displacing people from other areas of the City, particularly those within the City in joint-living situations, and driving them to the new units. It is also expected to primarily appeal to existing Las Vegas residents, as the jobs that will be created nearby are lower paying service jobs that do not typically attract new residents. The City currently has an ample labor pool to fill these positions, with an unemployment rate of 7.7%. Thus, these jobs are expected to be filled mainly by the 76,000 currently unemployed residents of the City, who already utilize existing education and will not create a further need.

Approximately 15.5% of the city's current total population is students. Applying this same ratio to the 5,183 potential new residents yields a total potential new student population of 803. Accounting for the factors above, a generous estimate of the potential new students in the area would be 10% of that number, or 80.

At an average annual cost of \$8,018 per student, the maximum potential impact is \$644,138 ($80 * 8,018$). We believe this is a generous estimate, and would expect the actual impact to be much smaller.

5.2 Police and Fire Protection

The new development will bring with it residents, shoppers, and visitors – all of which create a need for increased police and fire protection. While the proposed density of the site is higher than the surrounding area, the new development is also expected to improve conditions in the surrounding area. With a large investment and the planned development, the environment in and around the district is likely to transform. Thus, determining the impact to the Las Vegas Metropolitan Police Department and Las Vegas Fire & Rescue is challenging.

For estimation purposes, we have used two factors to create a potential impact range. First, we considered the service area in acres and the cost per acre. Next, we considered the service cost per population.

Table 10: Potential Impact on Public Safety Services						
	In Las Vegas	City Cost Per Unit		TID Units		Potential Impact
Police protection						
Service Area in Acres	86,925	1,378.2	x	61.0	=	84,071
Population	603,488	199.0	x	5,183.3	=	1,028,952
Fire Protection						
Service Area in Acres	86,925	1,301.3	x	61.0	=	79,381
Population	603,488	187.0	x	5,183.3	=	971,554

5.3 Other Services

Additional government services, such as trash collection, street lighting, and sewer installation and operation, will be provided in the district. These services will be provided as a result of the construction occurring, rather than as a result of the district being formed, thus they are not incremental costs created by the district. Moreover, it is expected that many of these costs will be offset by user fees.

6 Conclusions

The Symphony Park re-urbanization and revitalization plan aims to convert the neighborhood into a diverse and world-class destination. Project design offers dense design in a mixed-use setting that will include several components, such as residential housing units, the expanded portion of a premium outlet mall, new retail space, professional office buildings, parking areas, and three new hotels.

The goal of this analysis was to develop credible and defensible estimates of sales to occur within the proposed TID, associated tax revenues, and the shares of spending and tax revenues attributable to local residents, and visitors from other parts of Nevada and out of state.

In order to answer these key questions estimates of the amount of sales and associated tax revenues to be generated within the proposed TID were developed and the estimated shares of sales tax revenues attributable to each respective source was presented.

The analysis considered a five year time horizon from 2016 to 2020, assumes that all project components are operational by 2016, and finds that a preponderance of expected sales and tax revenues generated will come from non-Nevada visitors to Las Vegas:

- For the project overall, a total of \$1.1 billion in spending is expected to occur within the proposed TID, including \$870 million in retail spending and \$244 million in accommodations spending.
- Total tax revenues are expected to sum to \$66.3 million, including \$37 million in sales tax revenues and \$29.3 million in hotel tax revenues.
- The preponderance of sales tax revenues is expected to be generated by non-Nevada visitors to Las Vegas; \$20.4 million of the \$37 million, for a share of 55.2%, will come from out of state visitors.

7 About Us



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