

- B.1 Staff Report (For Possible Action): Presentation on the Grand Sierra Resort Arena Project's request for Tax Increment Financing, including a summary of the financial gap analysis, potential approval of deal terms, and potential delegation of authorization to execute the final participation agreement to the Executive Director of the Redevelopment Agency.

STAFF REPORT

Date: May 7, 2025

To: Chair and Members of the Redevelopment Agency Board

Through: Jackie Bryant, Executive Director

Subject: Staff Report (For Possible Action): Presentation on the Grand Sierra Resort Arena Project's request for Tax Increment Financing, including a summary of the financial gap analysis, potential approval of deal terms, and potential delegation of authorization to execute the final participation agreement to the Executive Director of the Redevelopment Agency.

From: Bryan McArdle, Revitalization Manager

Department: Redevelopment Agency

Summary:

A Catalyst Project application requesting Tax Increment Financing (TIF) to support Phase 1 of the Grand Sierra Resort Arena Expansion Project has been reviewed, and an independent financial gap analysis has been completed. The analysis, conducted by Hunden Partners, confirms a financing gap that renders the project financially infeasible without Tax Increment Financing (TIF) assistance from the Redevelopment Agency. Phase 1 of the project plan includes a 10,000-seat arena, community ice rink, parking garage, aqua golf facility and supporting infrastructure on the 140-acre site (APN 012-211-28).

The estimated property tax increment generated by Phase 1 of the project through the sunset of the Redevelopment Area 2 Plan in 2035 is \$68.1 million. Three proposed deal structure options are presented for Redevelopment Agency Board consideration. Staff is requesting approval of the preferred deal terms and authorization to finalize an Owner Participation Agreement (OPA) consistent with the selected terms.

Alignment with Strategic Plan:

Economic and Community Development

Previous Council Action:

August 14, 2024: Agency Board adopted the Redevelopment Agency Participation Program and Application Form.

October 23, 2024: Agency Board directed staff to proceed with a market analysis with Hunden Partners.

March 12, 2025: Agency Board accepted the Hunden Partners market analysis report and directed staff to proceed with the financial gap analysis and deal negotiations.

Background:

Power Sports Development LLC, a single purpose entity formed for the development of the Grand Sierra Resort, submitted a Catalyst Project application to the Redevelopment Agency seeking Tax Increment Financing. The Grand Sierra Resort Arena Expansion Project is a \$1 billion, mixed-use development that will serve as a major catalyst for regional economic growth.

The developer proposes an expansion project totaling \$786 million during Phase 1 of construction. The Phase 1 scope includes:

- A 10,000-seat multi-purpose arena
- Community ice rink
- Parking garage
- Aqua golf facility
- Supporting infrastructure

Hunden Partners was engaged to independently assess the project's financial feasibility for Phase 1 and conduct a gap analysis. Their findings conclude that Phase 1 of the project is not viable without public participation, satisfying the "But For" requirement for TIF support.

The Redevelopment Plan for Redevelopment Area 2 authorizes the City of Reno Redevelopment Agency to capture all new property tax revenue (tax increment) generated above the base year value established when the plan was adopted in 2005. These tax increment funds are captured by the Agency through 2035 and are reinvested to achieve the objectives of the Redevelopment Plan including support for economic development, infrastructure improvements, the elimination of blight, public amenities, and strategic investment in both public and private redevelopment projects.

The Agency is empowered to participate in the financing of private development projects if such participation is consistent with the Plan and if the project satisfies the "but for" test. This test evaluates whether the proposed development would be financially infeasible *but for* the TIF assistance, ensuring public investment is only made when necessary to close a demonstrated financial gap. Once the Redevelopment Area 2 Plan sunsets in 2035, all future property tax revenue generated within the area will revert to the standard distribution among local taxing entities, with the City of Reno receiving approximately 26% of those revenues under the existing tax allocation formula.

Discussion:

Hunden Partners was engaged to independently assess the project's financial feasibility and conduct a gap analysis for Phase 1.

Key Findings from Gap Analysis:

- Total Phase 1 Project Costs: \$785.7 million
- Verified Financial Gap: \$145.8 million
- Property Tax Increment Generated by 2035 (RDA 2 Plan Sunset): \$68.1 million
- Total Property Tax Increment Generated through 2055: \$294.1 million
- Estimated New Tax Revenue to the Region by 2055 (Property, C-Tax, Hotel): \$224.8 million
- Return on Investment (to City): 121% on \$61.3 million reimbursed
- Return on Investment (to the Region): 367% on \$61.3 million reimbursed
- Regional Project Impact: Average of 353 full-time equivalent jobs annually through 2055; \$2.4 billion in net new spending

Based on the findings of the gap analysis staff has engaged in negotiations with the developer around the structure of TIF assistance and has settled on three options described below.

Proposed Deal Term Options:

Standard Deal Parameters (Applies to All Options)

- The expected property tax increment to be generated by the project through 2035 when the Redevelopment Area 2 Plan (RDA 2) sunsets is \$68.1 million as is the total amount available for reimbursement.
- The project will be constructed, assessed, and property tax paid by the developer before any reimbursements are issued.
- No up-front or advance payments will be made.
- No bonding or loans will be undertaken by the City of Reno or Redevelopment Agency.
- All reimbursements are expected to cease with the sunset of RDA 2 in 2035.

Option 1: 100% TIF Reimbursement & Land Deeded to City of Reno - \$68.1 million to CSR

- 100% of eligible tax increment reimbursed to developer through 2035
- Fire Station 21 land deeded to the City of Reno

- Lease payments for Fire Station 21 cease the month following OPA execution

Option 2: 90% / 10% TIF Reimbursement & Lease Continuation - \$61.3 million to GSR, \$6.8 million to the Redevelopment Agency

- 90% of increment reimbursed to developer; 10% retained by RDA 2 through 2035
- Fire Station 21 lease continues at market rate
- City or Agency has the option to purchase the Fire Station 21 site in the future

Option 3: 90% / 10% TIF Reimbursement – River Investment & Land Purchase- \$61.3 million to GSR, \$6.8 million to the Redevelopment Agency

- 90% of increment reimbursed to developer; 10% retained by RDA 2 through 2035
- 10% to RDA 2 shall be earmarked for Truckee River improvements adjacent to the project and for the purchase of the Fire Station 21 site

Financial Implications:

The proposed project is not feasible without public participation due to a \$145.8 million gap. The expected property tax increment created by the project and transferred to the Redevelopment Agency by 2035 is \$68.1 million and would be available to be reimbursed to the developer.

The proposed TIF deal requires no upfront City or Redevelopment Agency investment. The Redevelopment Agency will recoup its administrative costs through a 1% agency administration fee based on the total amount of tax increment financing agreed upon, and will be paid in full from the first tax increment reimbursement.

The City and the Redevelopment Agency assume no financial risk, and all reimbursements are performance-based. In addition to significant property tax returns, the project provides long-term regional benefits through increased tourism, job creation, and community activation. Through 2055 the City of Reno is expected to receive \$74 million in new tax revenue from future Consolidated Tax, Property Tax, and other taxes.

Under a 100% reimbursement the Redevelopment Agency would retain no tax increment funds. After the sunset of RDA 2 area in 2035 the ongoing property tax increment generated would be distributed to the other government agencies and municipalities under the normal distribution, of which the City of Reno would receive 26% of property tax revenues.

Under a 90% reimbursement the Redevelopment Agency would retain an estimated \$6.8 million through 2035 to support capital improvement projects and agency operations through the RDA 2 area. After the sunset of RDA 2 area in 2035 the ongoing property tax increment generated would be distributed to the other government agencies and municipalities under the normal distribution, of which the City of Reno would receive 26% of property tax revenues.

Legal Implications:

Legal review was completed for compliance with Nevada Community Redevelopment Law, the current Redevelopment Area 2 Plan, and Nevada Law.

The proposed Phase 1 of the project qualifies as a lawful use of TIF under the Community Redevelopment Law and the adopted Redevelopment Plan for Area No. 2.

Recommendation:

Staff recommends the Redevelopment Agency Board:

1. Approve the proposed deal terms for the Grand Sierra Resort Arena Project.
2. Authorize the Executive Director of the Redevelopment Agency to execute the final Participation Agreement, which will be drafted based on these terms.

Proposed Motion:

I move to approve the staff recommendation and authorize the Executive Director of the Redevelopment Agency to execute the final Participation Agreement based on the presented deal terms.

Attachments:

- Term Sheet between the City of Reno Redevelopment Agency and Power Sports Development
- Draft Owner Participation Agreement
- Staff Presentation
- Grand Sierra Resort Arena Project Presentation
- Hunden Partners Gap Analysis Presentation

TERM SHEET
FOR
OWNER PARTICIPATION AGREEMENT
BY AND BETWEEN
CITY OF RENO REDEVELOPMENT AGENCY
AND
POWER SPORTS DEVELOPMENT LLC

This Term Sheet summarizes the principal terms and conditions of a proposed Owner Participation Agreement (“OPA”) between the CITY OF RENO REDEVELOPMENT AGENCY (the “Agency”) and POWER SPORTS DEVELOPMENT LLC, a Nevada limited liability company (“PSD” or “Participant”) to support their proposed development project. This Term Sheet is subject to approval by the Agency Board, is intended to be the basis for negotiation of the OPA, and is non-binding.

I. PARTICIPANT & CATALYST PROJECT ASSISTANCE PROGRAM

- A. Participant. PSD is an affiliate of The Meruelo Group, LLC, a Nevada limited liability company, and its affiliated companies, including AM-GSA Holdings, LLC, a Nevada limited liability company (“AM-GSA Holdings”). AM-GSA Holdings and Gage Village Commercial Development, LLC, a California limited liability company, own the Grand Sierra Resort (“GSR”). PSD, as the “Participant” under the OPA, shall own or ground lease the Project site for at least 10 years after completion of the Project improvements, unless the Agency approves an assignment to an eligible owner.
- B. The Program. The Project shall meet the Agency’s Catalyst Project Assistance Program (“Program”) eligibility requirements and the requirements of the Agency’s Redevelopment Plan for Redevelopment Project Area No. 2 (the “Plan”). Pursuant to the OPA, the Agency will provide tax increment financing (“TIF”) for the Project through reimbursement of a portion of the tax increment generated by the Project and paid as ad valorem property tax. The Agency’s TIF obligation shall be evidenced by a promissory note (the “Agency Note”) payable to Participant. Upon the completion of each eligible Project improvement (each, an “Eligible Improvement”), Participant’s reimbursable costs to develop the Eligible Improvement shall be added to the balance of the Agency Note. *The sole source of payment of the Agency Note shall be the tax increment generated by the Project site (i.e., the additional property tax generated by the Project property due to the increase in its assessed value between the date Participant submitted its Program*

application and the date the Project improvements are completed), subject to all applicable laws. The Agency will not issue bonds or other debt instruments to repay the Agency Note.

II. THE PROJECT

- A. Project. Participant's project (the "Project") is an arena development project located adjacent to the existing GSR, and includes a 10,000+/- seat arena, a 50,000+/- square foot community ice rink, a 2,400+/- space parking garage, and a golf driving range on the approximately 140-acre site (the "Project Site"). The Project Site is located in Redevelopment Area 2. The total estimated Project cost is \$786 million dollars, and Participant must make a minimum investment of \$50 million to be eligible for TIF under the Program.
- B. Eligible Improvements. The OPA shall identify discrete improvements within the Project, the cost of which shall be subject to reimbursement and added to the balance of the Agency Note upon completion of such improvement (each, an "Eligible Improvement") and Participant's payment of the applicable development costs. To be eligible for TIF, an Eligible Improvement must be completed within five years of the OPA effective date.

III. FINANCIAL TERMS AND CONDITIONS

- A. Tax Increment Reimbursement. The Agency shall make biannual payments under the Note equal to the applicable tax increment received by the Agency, multiplied by the Tax Reimbursement Percentage (defined below).
- B. Maximum Tax Increment Reimbursement. The maximum tax increment financing available for the Project under the OPA, and the maximum amount of the Agency Note, is \$68.1 million (the "Maximum Tax Increment Reimbursement").
- C. Agency Fee. Applicant will pay the Agency 1% of the Maximum Tax Increment Reimbursement as an Agency administration fee, which will be offset against the first tax increment payments otherwise payable to the Applicant pursuant to the Agency Note, until the Agency has received (retained) the entire Agency Fee.
- D. TIF Reimbursement Percentage & Related Conditions.

OPTION 1.	TIF Reimbursement Percentage = 100%
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	Fire Station 21 Condition: Participant shall cause the Fire Station 21 property currently leased to the City of Reno to be transferred to the Agency at no cost to the Agency by grant bargain sale deed, free and clear of monetary encumbrances, not later than the last day of the calendar month in which the OPA effective date occurs.
OPTION 2.	TIF Reimbursement Percentage = 90% Fire Station 21 Condition: The Fire Station 21 lease between an affiliate of Participant and the City shall be amended to extend the term, at market rate, annually, and grant the Agency an option to purchase upon terms to be negotiated between Participant and the City and set forth in the lease amendment, which terms shall include the legal subdivision of the parcel upon which Fire Station 21 is located and access easements.
OPTION 3.	TIF Reimbursement Percentage = 90% Riverfront Improvements Condition: The remaining 10% of the Tax Increment generated by the Project during the Term shall be used by the Agency to improve the riverfront area adjacent to GSR and to purchase the Fire Station 21 site for fair market value.

- E. OPA Term; Agency Note Forgiveness. The OPA term (the “OPA Term”) shall expire on the last day of the term of the Plan, which is August 24, 2035. The OPA Term and the Agency Note maturity date shall not be extended beyond such date, notwithstanding any amendment to extend the term of the Plan, if permitted by then-applicable law, unless otherwise agreed by the Agency Board, in its sole and absolute discretion. At the end of the OPA Term, any unpaid balance of the Agency Note will be forgiven.

IV. ADDITIONAL TERMS AND CONDITIONS

- A. Prevailing Wage. Applicant must pay prevailing wage rates as determined by the Nevada State Labor Commissioner for the Project improvements.
- B. Maintenance of Improvements. In accordance with Program requirements, Participant shall maintain the Project improvements for a minimum of five years following Project completion pursuant to a restrictive covenant to be recorded against the Project site, and the Agency shall conduct annual inspections to ensure that the improvements are maintained.

- C. Non-Binding Obligation. The OPA and Agency Note are subject to final approval by the Executive Director of the Agency. The final terms and conditions may vary from what is set forth in this Term Sheet if approved by the Agency Board.
- D. Representations, Warranties and Covenants. The OPA shall contain additional provisions to be negotiated between the parties, including customary representations and warranties, and covenants regarding the use of the Project property and improvements, non-discrimination, and insurance.
- E. Entitlement Approvals. The OPA does not grant any development or land use rights or constitute approval of any application or permit.

OWNER PARTICIPATION AGREEMENT

by and between

CITY OF RENO REDEVELOPMENT AGENCY

and

POWER SPORTS DEVELOPMENT LLC

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[TO BE INSERTED]

EXHIBIT LIST

- EXHIBIT A: Property
- EXHIBIT B: Form of Developer Note
- EXHIBIT C: Master List
- EXHIBIT D: [Intentionally omitted]
- EXHIBIT E: Form of Certificate of Completion

OWNER PARTICIPATION AGREEMENT

This OWNER PARTICIPATION AGREEMENT (this “**Agreement**”) is entered into effective as of May __, 2025 (“**Effective Date**”) by and between the **CITY OF RENO REDEVELOPMENT AGENCY**, a public body, corporate and politic (“**Agency**”), and **POWER SPORTS DEVELOPMENT LLC**, a Nevada limited liability company (“**Participant**”). The Agency and Participant are hereinafter collectively referred to as the “**Parties**.” Capitalized terms used in this Agreement shall have the definitions set forth in Article 1 of this Agreement or as otherwise defined in this Agreement. This Agreement shall become effective upon adoption by the Agency, execution by all Parties and Participant’s acquisition of the Property.

RECITALS

A. The Agency is a redevelopment agency formed, existing and exercising its powers pursuant to the provisions of the Nevada Community Redevelopment Law, Nevada Revised Statutes 279.382 *et seq.*

B. Pursuant to the authority granted under the Nevada Community Redevelopment Law, the Agency has the responsibility to implement the Redevelopment Plan for Redevelopment Project Area No. 2 adopted on August 24, 2005 by the City Council (the “**City Council**”) of the City of Reno (the “**City**”) by Ordinance No. 5726, as amended by Ordinance 5842 adopted on June 14, 2006 (the “**Area 2 Redevelopment Plan**”) for the Area 2 Project Area (the “**Redevelopment Area 2**”).

C. Participant proposes to lease and develop a portion of that certain property located within the Grand Sierra Resort subdivision, consisting of approximately 140 acres, more or less, generally located east of Interstate 580, south of E. 2nd Street and west of the Truckee River, known as Washoe County Assessor’s Parcel Number 012-211-28, and more particularly described in **EXHIBIT A** attached hereto (the “**Property**”).

D. Participant is an affiliate of The Meruelo Group, LLC, a Nevada limited liability company, and its affiliated companies, including AM-GSA Holdings, LLC, a Nevada limited liability company (“**AM-GSA Holdings**”).

E. The Property is owned by AM-GSA Holdings and Gage Village Commercial Development, LLC, a California limited liability company, and has been improved with hotel and casino improvements operated as “Grand Sierra Resort” (“**GSR**”), including a large surface parking lot and a lined pond.

F. The Property is located within Redevelopment Area 2.

G. Participant proposes to develop the Property to include the following new development projects: (i) a 10,000+/- seat arena, (ii) a 50,000+/- square foot community ice rink, (iii) a 2,400+/- space parking garage, and (iv) a golf driving range (collectively, the “**Project**”, and each, a “**Major Improvement**”).

H. Participant has requested financial assistance in the form of conditional tax increment financing from the Agency in an amount not to exceed [_____] Dollars (\$_____) (the “**Maximum Reimbursement**”) in connection with the payment of the costs of designing, developing and constructing those Project improvements set forth on **EXHIBIT C** (the “**Eligible Improvements**”).

I. The Agency board authorized the Executive Director of the Agency to approve and execute this Agreement on behalf of the Agency, at a public meeting held on May 7, 2025, at which the public had the opportunity to comment on the proposed action, and in connection with such authorization the Agency considered whether the Major Improvements are likely to: (i) encourage the creation of new business or other appropriate development; (ii) create jobs or other business opportunities for residents near the Property; (iii) have a positive economic impact by increasing local revenues from tourism, sales tax, increased property values and other desirable sources; (iv) increase levels of human activity in Redevelopment Area 2 and the immediate neighborhood; (v) possess unique attributes that offer entertainment venues of a type not currently available; (vi) require for their construction and operation the use of qualified and trained labor; and (vii) demonstrate greater social or financial benefits to the community than would a similar set of improvements constructed without the financial assistance of the Agency.

J. The Agency has accepted the Phase 1 Gap Analysis prepared by Hunden Partners and dated April 2025, which outlines the projected financial returns of the Project, compares the Project’s projected returns to relevant industry benchmarks, and argues that “but for” the Agency’s financial support, the Project would not be economically feasible and therefore would not proceed.

K. The Agency has determined that the Project, and specifically the Major Improvements, are of benefit to Redevelopment Area 2 and the surrounding neighborhoods, that the completion and operation of the Eligible Improvements further the purposes and goals of the Area 2 Redevelopment Plan, and that without the financial assistance of the Agency, no reasonable means of financing such improvements would be available. .

L. The purpose of this Agreement is to effectuate the Area 2 Redevelopment Plan for a portion of Redevelopment Area 2 by providing for the redevelopment of the Property in accordance with the Area 2 Redevelopment Plan.

M. The Agency tax increment financing shall be in the form of reimbursement to Participant for Reimbursable Improvement Costs (defined below) pursuant to the Developer Note, which provides that (i) reimbursement for Reimbursable Improvement Costs shall not exceed the Maximum Reimbursement and shall be solely and exclusively paid from Project Tax Increment (as defined below); and (ii) the total amount paid by the Agency to Participant shall in no event exceed the Maximum Reimbursement.

NOW, THEREFORE, the Parties agree as follows:

ARTICLE 1 DEFINITIONS

Section 1.1 Definitions. The following terms as used in this Agreement shall be defined as follows:

“**Administration Fee**” has the meaning set forth in Section 6.4 hereof.

“**Advance Date**” has the meaning set forth in Section 6.4 hereof.

“**Affiliate**” means any person or entity which controls, is controlled by or is under common control with Participant and includes any person or entity which is now or hereafter becomes a member or manager of Participant.

“**Agency**” means the City of Reno Redevelopment Agency, a public body, corporate and politic, exercising governmental functions and powers and organized and existing under the laws of the State of Nevada, with full power and authority to execute this Agreement.

“**Agency Engineer**” means an engineer, selected by the Agency and approved by Participant, to conduct the Compliance Review.

“**Agency Engineer’s Report**” has the meaning set forth in Section 6.3 hereof.

“**Agreed Percentage**” means [TO BE DETERMINED: [One Hundred Percent (100%)] or [Ninety Percent (90%)]].

“**Applicable Law**” means any applicable local, state and federal laws and regulations, including, without limitation, and all applicable safety, health, and labor laws.

“**Area 2 Redevelopment Plan**” has the meaning set forth in Recital B.

“**Area 2 Tax Increment**” means the gross property tax revenue generated from Redevelopment Area 2 that is allocated to and received by the Agency pursuant to NRS 279.676.

“**Bankruptcy Law**” has the meaning set forth in Section 9.1.1(e) hereof.

“**Certificate of Completion**” means a final certificate of completion substantially in the form attached hereto as **EXHIBIT E** certifying that Participant has satisfactorily completed construction of the Eligible Improvements.

“**City**” means the City of Reno, a municipal corporation.

“**Claims**” has the meaning set forth in Section 3.6.

“**Complete**,” “**Completed**,” or “**Completion**” when used in reference to the completion of the construction of an Eligible Improvement means that construction of the Eligible Improvement has been completed to the point that City has indicated in writing that it has approved such Eligible Improvement as being complete.

“Compliance Review” has the meaning set forth in Section 6.3 hereof.

“Construction Control” means qualified independent third parties who provide construction control services for voucher control, inspection services and analysis of the Reimbursable Improvements Costs that qualify as Eligible Costs as per Section 6.3(i) hereof.

“Construction Plans” means a site plan, demonstrating building arrangement, built space and open space, pedestrian and vehicular circulation, schematic plans showing building area, and such other construction documentation as may be reasonably requested by Agency staff to evidence that the Major Improvements, upon Completion, will conform to the descriptions of the Eligible Improvements set forth on Exhibit C.

“Developer Note” has the meaning set forth in Section 6.1.3.

“Effective Date” means the date first written above.

“Eligible Costs” means those Reimbursable Improvement Costs approved by the Agency in accordance with Article 6.

“Eligible Improvements” has the meaning set forth in Recital H.

“Entitlements” means all entitlements, permits and approvals the City or any other governmental body or agency with jurisdiction over the Project, the Eligible Improvements or the Property has granted or issued as of the date hereof or may hereafter grant or issue in connection with development of the Eligible Improvements, including without limitation and all conditions of approval imposed in connection with such entitlements, permits and approvals, including without limitation, all mitigation measures imposed in connection with environmental review of the Eligible Improvements.

“Environmental Law” means any and all federal, state and local statutes, ordinances, orders, rules, regulations, guidance documents, judgments, governmental authorizations, or any other requirements of governmental authorities, as may presently exist, or as may be amended or supplemented, or hereafter enacted, relating to the presence, release, generation, use, handling, treatment, storage, transportation or disposal of Hazardous Materials (as defined below), or the protection of the environment or human, plant or animal health, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (42 U.S.C.A. § 9601), the Hazardous Materials Transportation Act (49 U.S.C. § 1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. § 1251 et seq.), the Clean Air Act (42 U.S.C. § 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), the Oil Pollution Act (33 U.S.C. § 2701 et seq.), and the Emergency Planning and Community Right-to-Know Act (42 U.S.C. § 11001 et seq.).

“Event of Agency Default” has the meaning set forth in Section 9.2 herein.

“Force Majeure” is defined in Section 9.6 of this Agreement.

“Ground Lease” has the meaning set forth in Section 2.1 hereof.

“Hazardous Materials” means any substance, material, or waste which is or becomes regulated by any local governmental authority, the State of Nevada, or the United States Government, including, but not limited to, any material or substance which is (i) petroleum, petroleum based products and petroleum additives and derived substances, (ii) asbestos and lead based paint, (iii) polychlorinated byphenyl, (iv) designated as “hazardous substances” pursuant to Section 311 of the Clean Water Act (33 U.S.C. Section 1317), (v) defined as a “hazardous waste” pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903), (vi) defined as “hazardous substances” pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq., (vii) methyl-tertiary butyl ether, (viii) mold, fungi, viruses and bacterial matter, or (ix) any other toxic substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any governmental requirements either requires special handling in its use, transportation, generation, collection, storage, handling, treatment or disposal, or is defined as “hazardous” or harmful to human health or the environment.

“Holder” means the holder of any mortgage, deed of trust secured by all or any portion of the Property or the pledgee of any payments due or to become due under the Developer Note or any other security instrument authorized by this Agreement.

“Major Improvements” means the Project, including the Eligible Improvements.

“Master List” means a list of Eligible Improvements for the Property attached hereto as **EXHIBIT C**.

“Maximum Reimbursement” has the meaning set forth in Recital H.

“NRS” means the Nevada Revised Statutes as amended.

“Participant” means POWER SPORTS DEVELOPMENT LLC, a Nevada limited liability company, and any permitted successor pursuant to Article 7 of this Agreement.

“Share of Tax Increment Attributed to Project” has the meaning set forth in Section 6.5.

“Property” has the meaning set forth in Recital C. The term “Property” as used herein means all portions of the Property, regardless of any future subdivision.

“Real Estate Property Tax Rate Calculated” means the proportionate share of total property taxes that make up tax increment as calculated by the Washoe County Treasurer.

“Redevelopment Area 2” has the meaning set forth in Recital B.

“Reimbursable Improvement Costs” means actual costs incurred and paid by Participant toward designing, developing, and constructing (including permitting) the Eligible Improvements.

“Request for Reimbursement” has the meaning set forth in Section 6.2 hereof.

“Semi-Annual Payment” has the meaning set forth in Section 6.6 hereof.

“Statutory Set Aside” means the amount, if any, of the gross property tax revenue generated from the Property that is required by Nevada Community Redevelopment Law or other Applicable Law to be set aside from the revenue otherwise allocated to and received by the Agency pursuant to NRS 279.676, to be used for the purposes specified thereunder.

“Tolling Period” has the meaning set forth in Section 6.1.2 hereof.

“Total Tax Billings for All Project Parcels” means the total ad valorem taxes to be billed for each legal parcel constituting the Property as determined by the Washoe County Treasurer, and no other taxes or assessments against the Property.

“Total Area 2 Tax Increment to be Billed” means the total property tax increment to be billed within Redevelopment Area 2 as determined by the Washoe County Treasurer.

“Total Project Tax Increment to be Billed” means (a) the Total Billings for All Project Parcels, multiplied by (b) Real Estate Property Tax Rate Calculated.

“Transfer” means an attempted or completed voluntary, involuntary, direct or indirect or by operation of law sale, transfer, conveyance, assignment or lease.

“Project Tax Increment” means the gross property tax revenue generated from the Property that is allocated to and received by the Agency pursuant to NRS 279.676, less any Statutory Set Aside, if and when applicable.

ARTICLE 2 REPRESENTATIONS

Section 2.1 Participant’s Representations. Participant represents and warrants to the Agency as follows, and Participant covenants that until the expiration or earlier termination of this Agreement, upon learning of any fact or condition which would cause any of the warranties and representations in this Section 2.1 not to be true, Participant shall immediately give written notice of such fact or condition to the Agency. Participant acknowledges that the Agency shall rely upon Participant’s representations made herein notwithstanding any investigation made by or on behalf of the Agency:

(i) The Property. Participant will own the Major Improvements pursuant to a written ground lease with the fee owner of the Property identified in the Recitals hereto (together with its successors and assigns, “**Lessor**”) with a term expiring not less than ten (10) years from the later of the Effective Date and the Completion of the Eligible Improvements (the “**Ground Lease**”), such lease is in full force and effect, and no event of default has occurred and is continuing thereunder with respect to Participant or Lessor.

(ii) Authority. Participant is a limited liability company duly organized and in good standing under the laws of the State of Nevada. Participant has the full right, power and authority to undertake all obligations of Participant as provided herein, and the execution, performance and delivery of this Agreement by Participant has been duly authorized by all requisite actions. The persons executing this Agreement on behalf of Participant have been duly authorized to do so. This Agreement constitutes valid and binding obligation of Participant.

(iii) No Conflict. Participant’s execution, delivery and performance of its obligations under this Agreement will not constitute a default or a breach under any contract, agreement or order to which Participant is a party or by which it is bound.

(iv) No Litigation or Other Proceeding. No litigation or other proceeding (whether administrative or otherwise) is outstanding or has been threatened which would prevent, hinder or delay the ability of Participant to perform its obligations under this Agreement.

(v) No Participant Bankruptcy. Participant is not the subject of a bankruptcy or insolvency proceeding.

Section 2.2 Agency Representations. The Agency represents and warrants to Participant as follows, and the Agency covenants that until the expiration or earlier termination of this Agreement, upon learning of any fact or condition which would cause any of the warranties and representations in this Section 2.2 not to be true, the Agency shall immediately give written notice of such fact or condition to Participant. The Agency acknowledges that Participant shall rely upon the Agency’s representations made herein notwithstanding any investigation made by or on behalf of Participant.

(i) Authority. The Agency is a public body, corporate and politic established and authorized to transact business and exercise its powers under the laws of the State of Nevada. The Agency has the full right, power and authority to undertake all obligations of the Agency as provided herein, and the execution, performance and delivery of this Agreement by the Agency have been duly authorized by all requisite actions. The persons executing this Agreement on behalf of the Agency have been duly authorized to do so. This Agreement constitutes a valid and binding obligation of the Agency.

(ii) No Conflict. The Agency’s execution, delivery and performance of its obligations under this Agreement will not constitute a default or a breach under any contract, agreement or order to which the Agency is a party or by which it is bound.

(iii) No Litigation or Other Proceeding. No litigation or other proceeding (whether administrative or otherwise) is outstanding or has been threatened which would prevent, hinder or delay the ability of the Agency to perform its obligations under this Agreement.

(iv) No Bankruptcy. The Agency is not the subject of a bankruptcy or insolvency proceeding.

(v) No Encumbrance of Semi-Annual Payment. Except as provided herein, the Agency has not and will not encumber the Project Semi-Annual Payment (as defined in Section 6.6).

ARTICLE 3 DEVELOPMENT OF THE PROPERTY

Section 3.1 Scope of Development.

Participant shall use commercially reasonable efforts to develop and construct the Major Improvements, in accordance with the terms and conditions of this Agreement, the Entitlements, and all Applicable Law.

Section 3.2 Entitlements & Other Approvals.

Participant acknowledges and agrees that execution of this Agreement by the Agency does not constitute approval of the Entitlements, does not limit in any manner the discretion of the City in such approval process, and does not relieve Participant from the obligation to obtain all necessary Entitlements. Participant shall use reasonable efforts to obtain all necessary Entitlements which may be required by any other governmental agency having jurisdiction over the design, development, or construction of the Major Improvements on the Property and shall be responsible for and promptly pay when due all applicable fees and charges of the City in connection with the processing and consideration of obtaining the Entitlements, including, but not limited to, building permits.

Section 3.3. Construction Schedule.

An Eligible Improvement must be Completed within five years of the Effective Date in order for the costs of such Eligible Improvement to be approved as Reimbursable Improvement Costs.

Section 3.4 Costs of Construction.

All costs related to (i) acquisition or development of the land constituting the Property, (ii) designing, developing and constructing the Major Improvements, (iii) completion of the Major Improvements, (iv) soil, groundwater or other environmental remediation or response activities and (v) compliance with the Entitlements shall be borne solely by Participant and shall not be an obligation of the Agency or the City, except as may be specifically and expressly otherwise provided herein.

Section 3.5 Hazardous Materials and Remediation.

The Agency shall not be responsible for the cost of any soil, groundwater or other environmental remediation or other response activities for any Hazardous Materials existing or occurring on the Property or any portion thereof, and Participant shall be solely responsible for all actions and costs associated with any such activities required for the development of the Major Improvements, the Property, or any portion thereof, which shall not be Reimbursable Improvement Costs. Participant hereby covenants and agrees:

(i) Participant Responsibility. Upon receipt of any regulatory notice regarding the presence, release or discharge of Hazardous Materials in, on or under the Property, or any portion thereof, Participant (as long as Participant owns the property which is the subject of such notice) shall timely initiate and diligently pursue and complete all required response, remediation and removal actions for the presence, release or discharge of such Hazardous Materials as specified by applicable Environmental Laws.

(ii) Compliance. Participant, within the period of its ownership, shall keep and maintain the Major Improvements and the Property and each portion thereof in compliance with, and shall not cause or permit the Major Improvements or the Property or any portion of either to be in violation of, any Environmental Laws.

(iii) Environmental Indemnification. Participant shall indemnify, defend (with counsel approved by the Agency) and hold the Agency, and its respective elected and appointed officers, officials, employees, agents, consultants, and contractors (collectively, the “**Indemnitees**”) harmless from and against any and all Claims associated with the investigation, assessment, monitoring, response, removal, treatment, abatement or remediation of Hazardous Materials and administrative, enforcement or judicial proceedings resulting, arising, or based directly or indirectly in whole or in part, upon (1) the presence, release, use, generation, discharge, storage or disposal or the alleged presence, release, discharge, storage or disposal of any Hazardous Materials on, under, in or about, or the transportation of any such Hazardous Materials to or from, the Property, or (2) the failure of Participant, Participant’s employees, agents, contractors, subcontractors, or any person acting on behalf of any of the foregoing to comply with Environmental Laws or the covenants set forth in Section 3.5. The foregoing indemnity shall further apply to any residual contamination in, on, under or about the Property or affecting any natural resources, and to any contamination of any property or natural resources arising in connection with the generation, use, handling, treatment, storage, transport or disposal of any such Hazardous Materials, and irrespective of whether any of such activities were or will be undertaken in accordance with Environmental Laws.

The provisions of this Section 3.5 shall survive the issuance of a Certificate of Completion for the Eligible Improvements and the expiration or earlier termination of this Agreement.

ARTICLE 4 CONSTRUCTION OF IMPROVEMENTS

Section 4.1 Construction Pursuant to Plans.

All construction of the Eligible Improvements shall be done in accordance with the applicable Construction Plans and the Entitlements, as may be modified in accordance with Section 4.3 of this Agreement. Prior to the commencement of construction of the Eligible Improvements or any portion thereof, Participant shall submit to the Agency the Construction Plans for such Eligible Improvements so that the Agency may confirm consistency with this Agreement.

Section 4.2 Construction Plans.

The Construction Plans shall be based upon the plans and development approvals issued by the City with respect to the Major Improvements and the development of the Property.

Section 4.3 Change in Construction Plans.

Participant may revise the Construction Plans for the Major Improvements, if the Construction Plans, as modified by any proposed change, conform to the requirements of this Agreement, any plans or development approvals issued by the City and all Applicable Law, provided that Agency approval pursuant to this Article 4 will not substitute for any City approval required under Applicable Law.

Section 4.4 Defects in Plans.

Neither the Agency nor the City shall be responsible to Participant or to any third party for any defect in the Construction Plans or for any structural or other defect in any work done pursuant to the Construction Plans. Participant shall indemnify, defend (with counsel reasonably approved by the Agency, but no right to select separate counsel unless joint representation results in a conflict of interest) and hold the Indemnitees harmless from and against all Claims arising out of, or relating to, or alleged to arise from or relate to defects in the Construction Plans or defects in any work done pursuant to the Construction Plans whether or not any insurance policies shall have been determined to be applicable to any such Claims. Participant's indemnification obligations set forth in this Section 4.4 shall survive the expiration or earlier termination of this Agreement and the recordation of a Certificate of Completion. It is further agreed that the Agency and City do not, and shall not, waive any rights against Participant that they may have by reason of this indemnity and hold harmless agreement because of the acceptance by the Agency, or Participant's deposit with the Agency of any of the insurance policies described in this Agreement. Participant's indemnification obligations pursuant to this Section shall not extend to Claims arising due to the negligence or willful misconduct of the Indemnitees.

Section 4.5 Progress of Construction.

During construction of the Eligible Improvements, Participant shall submit to the Agency quarterly written reports of the progress of the construction of the Eligible Improvements. The

report shall be in such form and detail as to inform the Agency fully of the status of construction of the Eligible Improvements.

Until construction of the Eligible Improvements has been Completed, Participant authorizes the Agency to have full access to all building inspection reports and other information at the City to assist the Agency in reviewing the actual progress of construction of the Eligible Improvements. Participant shall allow the Agency to review construction documents and records maintained by Participant in the ordinary course of the construction of the Eligible Improvements as may be reasonably requested by the Agency.

Section 4.6 Certificate of Completion for Eligible Improvements.

Promptly after Completion of the Eligible Improvements on the Property in accordance with the provisions of this Agreement, the Agency shall provide a final (or partial, as applicable) Certificate of Completion (“**Certificate of Completion**”) certifying that Participant has satisfactorily completed construction of the Eligible Improvements on the Property (or applicable portion thereof) provided that, at the time such certification is issued, (i) the Eligible Improvements on the Property (or applicable portion thereof) have been Completed, (ii) all the Agency and City fees, if any, have been paid with respect to all Eligible Improvements constructed on the Property (or applicable portion thereof), (iii) the portions of the Property upon which the Eligible Improvements are located are in full compliance with the terms of this Agreement and the Area 2 Redevelopment Plan, and (iv) all Entitlements for the Eligible Improvements have been obtained.

Such Certificate of Completion shall be substantially in the form attached hereto as **EXHIBIT E** and shall be recorded among the Official Records of Washoe County, Nevada. Such Certificate of Completion and determination shall not constitute evidence of compliance with or satisfaction of any obligation of Participant to any holder of a deed of trust securing money loaned to finance the Eligible Improvements or any part thereof and shall not be deemed a notice of completion under the NRS, Chapter 108.

Section 4.7 Prevailing Wage Requirements.

The Eligible Improvements to be constructed by Participant under this Agreement shall be subject to the provisions of NRS Sections 338.010 through 338.090, inclusive, and regulations adopted pursuant thereto (“**Prevailing Wage Laws**”) to the same extent as if the Agency had awarded the contract for the construction of the Eligible Improvements. Participant and its respective subcontractors or agents shall comply with the Prevailing Wage Laws and shall be responsible for carrying out the requirements of such provisions.

Participant shall, and hereby agrees to, unconditionally indemnify, reimburse, defend (with counsel reasonably approved by the Agency, but no right to select separate counsel unless joint representation results in a conflict of interest), protect and hold Indemnitees harmless from and against any and all Claims whether known or unknown, and which directly or indirectly, in whole or in part, are caused by, arise from, or relate to, or are alleged to be caused by, arise from, or relate to, the payment or requirement of payment of prevailing wages or the requirement of competitive bidding in the construction of the Eligible Improvements, the failure to comply with any state or federal labor laws, regulations or standards in connection with this Agreement, including but not

limited to NRS Sections 279.498 and 279.500 and the Prevailing Wage Laws, or any act or omission of the Agency or Participant related to this Agreement with respect to the payment or requirement of payment of prevailing wages or the requirement of competitive bidding, whether or not any insurance policies shall have been determined to be applicable to any such Claims. It is further agreed that the Agency and the City do not, and shall not, waive any rights against Participant which they may have by reason of this indemnity and hold harmless agreement because of the acceptance by the Agency, or the deposit with the Agency by Participant, of any of the insurance policies described in this Agreement. The provisions of this Section 4.7 shall survive the expiration or earlier termination of this Agreement and the issuance of a Certificate of Completion for the Eligible Improvements. Participant's indemnification obligations set forth in this Section shall not apply to Claims arising from the gross negligence or willful misconduct of the Indemnitees.

Pursuant to NRS Section 338.020, the hourly and daily rate of wages to be paid each of the classes of mechanics and workmen employed in connection with construction of the Eligible Improvements shall not be less than the rate of such wages then prevailing in Washoe County, Nevada and shall be posted on the site of construction of the Eligible Improvements in a place generally visible to the mechanics and workmen.

Pursuant to NRS Section 338.060, Participant agrees to forfeit, as a penalty to the Agency, the applicable sums set forth in Section 338.060 for each calendar day or portion thereof that each workman employed in connection with the Eligible Improvements (i) is paid less than the designated rate for any work performed under this Agreement by Participant or any of Participant's contractors, subcontractors or agents or (ii) is not reported to the Agency as required pursuant to NRS Section 338.070.

In addition to all reporting requirements under the Prevailing Wage Laws, until construction of the Eligible Improvements has been Completed, Participant authorizes the Agency to have full access to all of its payroll records and payroll records of its respective subcontractors or agents, as well as all other construction, contracting, employee and worker documentation and records reasonably deemed necessary by the Agency to determine compliance with this Section and NRS Sections 279.498 and 279.500 and the Prevailing Wage Laws.

Section 4.8 Construction Bonds.

Prior to commencement of construction of the Eligible Improvements, Participant shall provide labor, materials, and performance bonds naming the Agency and the City as co-obligees, subject to the approval of the Agency and the City, for all Eligible Improvements, from a surety company licensed to do business in Nevada with a general rating of A minus and a financial size category of class X or better in Best's Insurance Guide, each in a penal sum of the estimated costs of the Eligible Improvements. Participant shall maintain and keep in force, at Participant's expense, the bonds required by this Section until Completion of construction of the Eligible Improvements.

Section 4.9 [Intentionally Omitted.]

Section 4.10 Equal Opportunity.

During the construction of the Eligible Improvements on the Property, Participant shall not discriminate on the basis of race, religion, sex, sexual orientation or national origin in the hiring, firing, promoting or demoting of any person engaged in the construction work and Participant shall direct its contractors and subcontractors to refrain from discrimination on such basis.

Section 4.11 Relocation Expenses; Hold Harmless Statement.

Participant agrees that it shall have the sole and exclusive responsibility for providing any relocation assistance and paying any relocation costs associated with the development of the Property which may be required to comply with Applicable Law. Participant shall, and hereby agrees to, unconditionally indemnify, reimburse, defend (with counsel reasonably approved by the Agency, but no right to select separate counsel unless joint representation results in a conflict of interest), protect and hold Indemnitees harmless from and against any and all Claims, whether known or unknown, and which directly or indirectly, in whole or in part, are caused by, arise from, or relate to, or are alleged to be caused by, arise from, or relate to, relocation assistance or benefits or any act or omission of the Agency or Participant with respect to the provision of relocation assistance or benefits in connection with this Agreement, whether or not any insurance policies shall have been determined to be applicable to any such Claims. It is further agreed that the Agency and City do not, and shall not, waive any rights against Participant which they may have by reason of this indemnity and hold harmless agreement because of the acceptance by the Agency, or the deposit with the Agency by Participant, of any of the insurance policies described in this Agreement. The provisions of this Section 4.11 shall survive the expiration or earlier termination of this Agreement and the issuance of a Certificate of Completion for the Eligible Improvements. Participant's indemnification obligations set forth in this Section shall not apply to Claims arising from the gross negligence or willful misconduct of the Indemnitees.

**ARTICLE 5
COVENANTS OF PARTICIPANT**

Section 5.1 Uses.

Participant covenants and agrees that the Property shall be subject to the provisions of the Area 2 Redevelopment Plan for such period of time as the plan is in effect. Participant is expressly prohibited from using the Property for any uses prohibited by applicable City ordinances or regulations or by the Area 2 Redevelopment Plan.

Section 5.2 Obligation to Refrain from Discrimination.

Participant shall not restrict the rental, sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, or any portion thereof, on the basis of race, color, religion, creed, sex, sexual orientation, disability, marital status, ancestry, or national origin of any person. Participant covenants for itself and all persons claiming under or through it, and this Agreement is made and accepted upon and subject to the condition that there shall be no discrimination against or segregation of any person or of a group of persons on account of race, color, religion, creed, sex, sexual orientation, disability, marital status, ancestry, or national origin in the leasing,

subleasing, transferring, use, occupancy, tenure or enjoyment of the Property, or any portion thereof, nor shall Participant or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the property herein transferred. The foregoing provisions shall run with the land, be binding upon any subcontracting parties, successors, assigns and other transferees under this Agreement and shall remain in effect in perpetuity.

Section 5.3 Effect and Duration of Covenants.

All of the terms, covenants, agreements and conditions set forth in this Agreement shall cease and terminate as to the Property and the improvements thereon upon recordation of the Certificate of Completion for the Eligible Improvements as described in Section 4.6 of this Agreement, excepting only the provisions of Section 5.1 of this Agreement (relating to uses), which shall remain in effect as specified therein; Section 5.2 (relating to nondiscrimination), which shall remain in effect in perpetuity; and the provisions set forth in the Section 11.12 (relating to indemnity and hold harmless provisions), which shall remain in effect as specified therein.

Section 5.4 Administrative Fee. Participant will pay the Agency 1% of the Maximum Reimbursement as an Agency administration fee (“**Administrative Fee**”), which, if not paid earlier, will be offset against the Semi-Annual Payment otherwise due and payable under the Developer Note, commencing with the first payment thereunder, until the Agency has received (retained) the entire Administrative Fee.

ARTICLE 6 REIMBURSEMENT OF COSTS BY AGENCY

Section 6.1 Reimbursement for Reimbursable Improvement Costs.

Section 6.1.1 Agency Financial Assistance

Participant shall undertake the design, development and construction (including permitting) of the Eligible Improvements described in the Master List at its initial and exclusive cost. The Agency recognizes that the costs of designing, developing and constructing the Eligible Improvements would make implementation of the Project economically infeasible, and the Agency therefore agrees to financially assist Participant with the costs of designing, developing and constructing the Eligible Improvements. The amount of the Agency financial assistance shall not exceed the lesser of (i) the total amount of Eligible Costs (as defined below); or (ii) the Maximum Reimbursement (subject to Section 6.1.2.).

Section 6.1.2 Form of Agency Financial Assistance

The Agency financial assistance shall be by reimbursement to Participant for the Eligible Improvements Costs pursuant to a Limited Obligation Tax Increment Revenue Developer Note, dated as of the Effective Date and executed by the Agency substantially in the form attached hereto as **EXHIBIT B** (the “**Developer Note**”). The Developer Note provides that (i) all amounts

thereunder may be pre-paid in part or in full at any time without penalty and (ii) the indebtedness evidenced thereby shall be paid solely and exclusively from Project Tax Increment. All terms of reimbursement by the Agency to Participant for Eligible Improvements Costs, representing the Agency's redevelopment financial assistance to Participant for the Eligible Improvements, shall be as provided herein and in the Developer Note, including without limitation, limits on the maximum amount payable thereunder and the forgiveness of any outstanding balance following the Maturity Date, as more particularly set forth in Section 6.8.

Section 6.1.3 [Intentionally omitted]

Section 6.1.4 [Intentionally omitted]

Section 6.2 Request for Reimbursement.

Upon Completion of the Eligible Improvements, Participant shall provide to the Agency for its approval a request for reimbursement ("**Request for Reimbursement**"), which includes a summary of the Reimbursable Improvement Costs and supporting documentation of such costs as the Agency may reasonably request, including without limitation, a certification from a contractor evidencing that the payment by Participant reasonably corresponds to the construction work completed. Participant shall maintain reasonably detailed documentary evidence supporting any Eligible Improvements Costs (e.g., contractor invoices, applications for payment, lien releases).

Section 6.3 Verification of Eligible Improvements Costs.

Section 6.3.1 [Intentionally omitted].

Section 6.3.2 Compliance Review.

Promptly following the Agency's receipt of a Request for Reimbursement, the Agency shall cause a review of the Reimbursable Improvement Costs to be conducted by the Agency Engineer ("**Compliance Review**"). Such review will provide the basis for determining the amount of any Agency reimbursement to Participant for the Completed Eligible Improvements. The costs of the Compliance Review shall be paid by Participant within ten days of receiving an invoice from the Agency detailing such costs; provided that Participant has received the Agency's Engineer's Report (as defined below).

The Compliance Review shall require the Agency Engineer, in his or her reasonable discretion, to verify the Reimbursable Improvement Costs for the Completed Eligible Improvements and to determine whether such costs are reasonable. Upon completion of the Compliance Review, the Agency Engineer shall submit a report to the Agency detailing his or her analysis of the Reimbursable Improvement Costs ("**Agency Engineer's Report**"). The Agency shall approve only (i) those Reimbursable Improvement Costs in the Request for Reimbursement which the Agency Engineer has verified and determined to be reasonable as set forth in the Agency Engineer's Report and (ii) those Reimbursable Improvement Costs in the Request for Reimbursement which the Agency has pre-approved pursuant to Section 6.1.3, provided that the Agency Engineer has verified and determined that such costs are consistent with the Agency's written pre-approval (collectively, "**Eligible Costs**"). The Agency shall act on the Request for

Reimbursement within thirty (30) days after receipt of the Agency Engineer's Report either by approving the Request for Reimbursement or by identifying with specificity any aspects of the Request for Reimbursement which require further documentation or explanation.

Section 6.4 Advances Under the Developer Note.

Eligible Costs shall be added to the principal amount of the Developer Note as of the date the Agency approved such costs pursuant to Section 6.3 (the "**Advance Date**").

Section 6.5 Determination of Share of Tax Increment Attributed to Project.

Each year upon finalization of the property tax roll for the upcoming fiscal year (July 1st to June 30th), based upon reports received by the Washoe County Assessor's Office, the Agency shall determine, as a percentage, Participant's percentage share of the Area 2 Tax Increment pursuant to the formula below ("**Share of Tax Increment Attributed to Project**"). As tax increment funds are received during the fiscal year from the Washoe County Treasurer's Office, the Agency shall make payments to Participant in accordance with Section 6.6.

Share of Tax Increment Attributed to Project (%) = Total Project Tax Increment to be Billed / Total Area 2 Tax Increment to be Billed

Total Project Tax Increment to be Billed = Total Tax Billings for all Project Parcels x Real Estate Property Tax Rate Calculated Percent (for the tax district the parcel is in).

Section 6.6 Semi-Annual Payments from Project Tax Increment.

Provided that Project Tax Increment has been allocated to and received by the Agency and that there is an outstanding principal balance under the Developer Note, on or before the first day of each June and the first day of each December during the term of this Agreement, the Agency shall pay to Participant a semi-annual payment from Project Tax Increment pursuant to the formula below (the "**Semi-Annual Payment**"). If Project Tax Increment has been allocated to and received by the Agency and there is no outstanding principal balance under the Developer Note, the Semi-Annual Payment shall be held by the Agency in a restricted cash account for future payments of the Developer Note, if and to the extent such payments are owed, and all interest accrued on funds held in such account shall accrue for the benefit of the Agency and not for the benefit of Participant.

Semi Annual Payment = Total Area 2 Tax Increment received by the Agency for the prior 6 months x Share of Tax Increment Attributed to Project (%) x the Agreed Percentage (%), continuing until the Termination of the Reimbursement Obligation as set out in Section 6.7.

Section 6.7 Termination of Reimbursement Obligations.

All financial assistance by the Agency to Participant for the Eligible Improvements under this Agreement shall be made pursuant to payments under the Developer Note and shall cease and terminate upon the earlier of (i) the full payment to Participant of all amounts owed under the

Developer Note, or (ii) August 24, 2035, which is the date of termination of the Area 2 Redevelopment Plan. For the avoidance of doubt, no extension of the term of the Area 2 Redevelopment Plan shall extend the term of financial assistance under this Agreement, without regard to whether the term of the Area 2 Redevelopment Area is or may be extended pursuant to then-applicable law.

Section 6.8 Source of Payments.

Any Agency obligation to make any payment to Participant under this Agreement and the Developer Note is wholly contingent and dependent upon the allocation to and receipt by the Agency of Project Tax Increment. All amounts to be reimbursed to Participant hereunder shall be payable solely and exclusively from Project Tax Increment and shall not be payable from any other source. Project Tax Increment shall be the sole and exclusive source of payment to Participant under this Agreement and the Developer Note, and payments hereunder may be made to Participant only if Project Tax Increment is allocated to and received by the Agency. THE PRINCIPAL DUE AND PAYABLE ON THE DEVELOPER NOTE: (I) DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE AGENCY PAYABLE FROM ANY SOURCE OTHER THAN PROJECT TAX INCREMENT; (II) IS NOT PAYABLE FROM, AND IS NOT A CHARGE UPON, ANY FUNDS OF THE AGENCY OTHER THAN THE PROJECT TAX INCREMENT, (III) ARE NOT BACKED BY THE FULL FAITH AND CREDIT OF AGENCY, AND (IV) ARE NOT SECURED BY A PLEDGE OF ANY TAXING POWER. PARTICIPANT AGREES THAT (A) THE ONLY OBLIGATION OF THE AGENCY IN CONNECTION WITH THE DEVELOPER NOTE IS TO PAY THE SEMI-ANNUAL PAYMENT ON THE TERMS AND CONDITIONS SET FORTH IN THE DEVELOPER NOTE AND THIS AGREEMENT, AND (B) IN THE EVENT PROJECT TAX INCREMENT IS NOT SUFFICIENT (AFTER APPLYING THE SEMI-ANNUAL PAYMENT FORMULA) TO PAY ANY REGULAR INSTALLMENTS OF PRINCIPAL OR INTEREST WHEN DUE UNDER THE DEVELOPER NOTE, OR THE PRINCIPAL BALANCE AND INTEREST REMAIN UNPAID AT THE MATURITY DATE OF THE DEVELOPER NOTE, NEITHER AGENCY, NOR THE CITY, NOR ANY AGENCY THEREOF SHALL BE LIABLE FOR ANY AMOUNTS UNPAID UNDER THE DEVELOPER NOTE.

Section 6.9 Agency Bond Issue Not Authorized.

The Agency will not issue bonds secured by Share of Tax Increment Attributed to Project.

Section 6.10 Disagreement About Compliance Review.

Prior to the initiation of any legal proceeding arising out of any controversy, claim or dispute between the Parties related to the conduct of the Compliance Review, any analysis undertaken as part of such Compliance Review, or the contents of the Agency's Engineer Report, such controversy, claim or dispute shall first be submitted to a three person panel of engineers. Each party shall select one engineer and those two engineers shall select the third engineer for the panel. The costs and expenses of the proceedings before the panel shall be split equally between the Parties, except that each party shall be responsible for its own attorneys' fees.

Section 6.11 Conditions Precedent to Issuance of Developer Note.

The issuance of the Developer Note by the Agency is subject to the satisfaction of the following conditions precedent:

- (i) [INSERT FIRE STATION 21 CONDITION AS APPROVED BY THE AGENCY]; and
- (ii) Participant's Eligible Costs are at least Fifty Million Dollars (\$50,000,000), in accordance with the Agency's Catalyst Program eligibility requirements; and
- (iii) Participant shall not be in default under any provision of this Agreement.

ARTICLE 7 CHANGES IN PARTICIPANT

Section 7.1 Identity of Participant.

POWER SPORTS DEVELOPMENT LLC is a Nevada limited liability company.

Section 7.2 Changes Only Pursuant to this Agreement.

Participant has represented that it possesses the necessary expertise, skill, and ability to carry out the development of the Major Improvements on the Property pursuant to this Agreement. The qualifications, experience, financial capability and expertise of Participant are of particular concern to the Agency. It is because of these qualifications, experience, financial capability and expertise that the Agency has entered into this Agreement. No voluntary or involuntary assignee or successor in interest to Participant shall acquire any rights or powers under this Agreement, except as herein provided.

Section 7.3 Prohibition on Transfer by Participant.

Prior to the Completion of the Eligible Improvements and the issuance by the Agency of a Certificate of Completion for the Eligible Improvements, Participant shall not, except as expressly permitted by this Agreement, voluntarily, involuntarily, directly or indirectly or by operation of law make or attempt any total or partial sale, transfer, conveyance, assignment or lease ("**Transfer**") of the whole or any part of Participant's interest in the Ground Lease, the Property, the Major Improvements, or this Agreement ("**Participant's Interest**"), without the prior written approval of the Agency. Any such attempt to Transfer this Agreement, other than in accordance with the terms of this Agreement, shall be null and void and shall confer no rights or privileges upon the purported assignee.

Section 7.4 Permitted Transfers.

(a) Participant shall have the right to Transfer Participant's Interest in accordance with the provisions of this Section and any such Transfer may include assignment and assumption of Participant's duties and obligations arising under this Agreement with respect to the portion of the Property and improvements included in such Transfer. No transfer of Participant's rights or interest under this Agreement shall be made except in connection with a Transfer of a portion of the

Property. No Transfer of any portion of the Property shall include Transfer of any right to reimbursement for the cost of Eligible Improvements unless and then only to the extent specifically set forth in the transfer documentation.

(b) In connection with any Transfer, Participant and the transferee shall enter into a recordable written assignment and assumption agreement, the form of which shall be subject to the reasonable approval of the Agency prior to the Transfer, pursuant to which the Participant assigns to the transferee and the transferee assumes from the transferor the rights and obligations under this Agreement with respect to the Property being transferred. In no event shall any such transferee have the right to request or process any amendment of this Agreement.

(c) Notwithstanding the foregoing, Participant shall not sell or transfer the entire Property, or all or substantially all of the assets of or membership interests of Participant to other than an Affiliate of Participant without the prior written consent of the Agency which consent shall not be unreasonably withheld, conditioned or delayed if the proposed transferee demonstrates the financial capability and development expertise to implement the development plan for the Project in accordance with the terms of this Agreement. In the event of a proposed transaction requiring the Agency's consent, Participant shall provide the Agency with written request for consent which shall include reasonable supporting documentation about the proposed transferee for consideration and the Agency shall respond within thirty (30) calendar days of receipt of said request and supporting documentation. In the event the Agency fails to respond within such thirty (30) day period, the proposed transfer shall be deemed approved.

(d) Nothing in this Agreement shall be deemed or construed to prevent Participant from encumbering all or any portion of the Property in connection with one or more financing transactions; provided, however, that this Agreement shall be and remain superior and senior to the lien of any deed of trust or mortgage excepting therefrom the deed of trust in favor of the City which will be recorded concurrently with Participant's acquisition of the Property. No breach of this Agreement shall defeat, render invalid, diminish or impair the lien of any mortgage or deed of trust made in good faith and for value. Any acquisition or acceptance of title or any right or interest in the Property by any such lender, whether by foreclosure, transfer, quit claim, decree, deed in lieu thereof or court order, shall be subject to all of the terms and conditions of this Agreement.

Section 7.5 Requirements for Proposed Transfers.

The Agency shall consent to a proposed Transfer of the Property or portion thereof and/or this Agreement if all of the following requirements are met (provided however, the requirements of this Section 7.5 shall not apply to Transfers described in clauses (i) through (vi) of Section 7.4):

(i) The proposed transferee demonstrates to the Agency's reasonable satisfaction that it has the qualifications, experience and financial resources necessary and adequate as may be reasonably determined by the Agency to competently complete construction of the Major Improvements to the extent such proposed transferee is assuming the obligations to complete any Major Improvements and to otherwise fulfill any obligations of Participant under this Agreement which are being assumed in connection with the proposed Transfer.

(ii) The Participant and the proposed transferee shall submit for Agency review and approval all instruments and other legal documents proposed to effect any Transfer of this Agreement, the Property or interest therein together with such documentation of the proposed transferee's qualifications and development capacity as the Agency may reasonably request.

(iii) The proposed transferee shall expressly assume the rights and obligations of Participant under this Agreement which are being transferred arising after the effective date of the Transfer.

(iv) The Transfer shall be effectuated pursuant to a written instrument satisfactory to the Agency in form recordable in the Official Records at which time the assignor shall be relieved of all further obligations hereunder with respect to the portion of the Property transferred except for those obligations described in Section 11.12 which shall survive the expiration, termination or transfer of this Agreement.

Consent to any proposed Transfer may be given by the Agency's Redevelopment Manager unless the Redevelopment Manager, in his or her discretion, refers the matter of approval to the Agency's governing board. The proposed Transfer shall be approved or rejected by the Agency in writing within thirty (30) days following the Agency's receipt of written request by Participant.

All actual and reasonable direct third party costs incurred by the Agency, including but not limited to attorneys' fees, in reviewing instruments and other legal documents proposed to effect a Transfer and assumption of the terms, provisions, covenants and obligations of Participant under this Agreement and in reviewing the qualifications and financial resources of a proposed successor, assignee or transferee shall be reimbursed by Participant within ten days of the Agency providing Participant with a detailed invoice of such Agency costs.

Section 7.6 Effect of Transfer Without Agency Consent

Section 7.6.1 In the absence of specific written agreement by the Agency, no Transfer by Participant (except as provided in Section 7.4) shall be deemed to relieve Participant or any other party from any obligation under this Agreement.

Section 7.6.2 Without limiting any other remedy the Agency may have under this Agreement, or under law or equity, this Agreement may be terminated by the Agency if without the prior written approval of the Agency, when such consent is required by this Agreement, Participant assigns or Transfers (except as provided in Section 7.4) this Agreement, the Property, or the improvements prior to the Agency's issuance of a Certificate of Completion for the Eligible Improvements.

ARTICLE 8 SECURED FINANCING AND RIGHTS OF HOLDERS

Section 8.1 No Encumbrances Except for Acquisition and Development Purposes.

Notwithstanding any other provision of this Agreement, mortgages and deeds of trust, or any other reasonable method of security are permitted to be placed upon the Property and pledges of the payments due or to become due under the Developer Note are permitted for any purposes deemed necessary and appropriate by Participant acting in its sole and absolute discretion to develop and operate the Property and the Project in accordance with this Agreement. After Completion of the Eligible Improvements, no mortgages, deeds of trust or other methods of security may be placed upon the Eligible Improvements or the portions of the Property upon which the Eligible Improvements are located. Participant shall promptly notify the Agency in writing of any mortgage, deed of trust or other method of security that has been or will be created or attached to the Property or any pledge of the payments due or to become due under the Developer Note and the identity and mailing address of the Holder of any such security that has been or will be created and shall notify the Agency of any changes thereof. The words “mortgage” and “deed of trust” in this Section includes all customary modes of financing real estate acquisition, construction and development.

Section 8.2 Holder Not Obligated to Construct.

Except as otherwise provided in Article 7 and Section 8.3 of this Agreement, a Holder is not obligated to construct or complete any of the Major Improvements, to guarantee such construction or completion or to perform any of the other obligations of Participant under this Agreement. Nothing in this Agreement shall be deemed to permit or authorize any such Holder to devote the Property or the Major Improvements to any uses, or to construct any improvements thereon, other than those uses or the Major Improvements provided for or authorized by this Agreement.

Section 8.3 Notice of Default and Right to Cure.

Whenever the Agency, pursuant to its rights as set forth in this Agreement, delivers any notice of default under this Agreement to Participant with respect to the construction or completion of the Major Improvements, the Agency shall at the same time deliver to each Holder (of which the Agency has been notified in accordance with Section 8.1 of this Agreement) a copy of such notice. Each such Holder shall (insofar as the rights of the Agency are concerned) have the right, but not the obligation, at its option, within ninety 90 days after service of the notice, to elect to cure any default by Participant in connection with the construction or completion of the Major Improvements under this Agreement and to add the cost thereof to the secured debt and lien evidenced by its mortgage, deed of trust or other security instrument. A Holder who chooses to exercise its right to cure a default shall first notify the Agency in writing of its intent to exercise such right prior to commencing to cure such default and thereafter shall complete such cure within a reasonable period of time. If such cure is thereafter commenced and diligently prosecuted to completion, the Agency shall not have the right to terminate this Agreement on account of such default by Participant, notwithstanding Section 9.3 of this Agreement.

Nothing contained in this Agreement shall be deemed to permit or authorize such Holder to undertake or continue the construction or completion of the Major Improvements (beyond the extent necessary to conserve or protect such Major Improvements already constructed) without first having expressly assumed in writing all of Participant’s obligations under this Agreement

relating to such Major Improvements and the Property or portion thereof upon which such Major Improvements are to be constructed under this Agreement. In connection with such assumption, the Holder must agree to complete, in the manner provided in this Agreement, the Major Improvements on the portion of Property covered by the Holder's lien (including any portion of the Property acquired by such Holder pursuant to foreclosure of such lien, deed in lieu of foreclosure or other means) and submit evidence reasonably satisfactory to the Agency that it has the developmental capability on staff or retainer and the financial responsibility necessary to perform such obligations. Any such Holder which properly completes the Major Improvements pursuant to this paragraph and has assumed all obligations of Participant under this Agreement with respect to the Major Improvements and the portion of the Property covered by the Holder's lien (including any portion of the Property acquired by such Holder pursuant to foreclosure of such lien, deed in lieu of foreclosure or other means) shall be entitled, upon written request made to the Agency, to the issuance by the Agency of the Certificate of Completion for the Eligible Improvements as may otherwise be applicable under Section 4.6 of this Agreement.

In the event that a Holder has assumed Participant's obligations hereunder, such Holder shall be liable for the fulfillment of such obligations until such time as such Holder transfers the portion of the Property or Major Improvements to another person or entity, but only if such transferee, assignee or successor assumes all of the obligations under this Agreement with respect to that portion of the Property or Major Improvements proposed to be transferred. After a Holder has acquired the fee interest in the portion of the Property or Major Improvements, any transfer by a Holder of the portion of the Property or Major Improvements or portions thereof shall require Agency approval, which approval shall not be unreasonably withheld if the proposed transferee, assignee or successor has the qualifications and financial resources necessary and adequate as may be reasonably determined by the Agency to fulfill the obligations undertaken in this Agreement by Participant with respect to the Property or Major Improvements or portions thereof proposed to be transferred.

Section 8.4 Failure of Holder to Complete Major Improvements.

In any case where six months after default by Participant in connection with the completion of the Major Improvements under this Agreement (or such longer period of time as shall be reasonably necessary for such Holder to obtain possession of that Property or Major Improvements or portions thereof subject to its lien, not to exceed one year), a Holder, having first exercised its option to construct, has not proceeded diligently with such construction, the Agency shall be afforded those rights against such Holder which it would otherwise have against Participant under this Agreement with respect to such Property and Major Improvements or portions thereof.

Section 8.5 Holder to be Notified.

Participant hereby warrants and agrees that each term contained herein dealing with secured financing and rights of Holders shall be either inserted into or incorporated by reference into the relevant deed of trust, mortgage or other security instrument or be acknowledged by the Holder prior to or at the same time of its coming into any security right or interest in the Property or the Major Improvements.

Section 8.6 Modifications to Agreement.

The Agency shall not unreasonably withhold its consent to modifications of this Agreement requested by lenders of Participant, provided such modifications do not materially alter the Agency's substantive rights and obligations under this Agreement.

ARTICLE 9
DEFAULTS, REMEDIES AND TERMINATION

Section 9.1 Event of Participant Default.

Section 9.1.1 Event of Participant Default. Subject to Force Majeure as defined in Section 9.6 below, the following events shall constitute an event of default on the part of Participant ("**Event of Participant Default**"):

- (a) [Intentionally omitted].
- (b) Participant fails to maintain liability insurance as required pursuant to Section 11.9, and Participant fails to cure such default within thirty (30) days.
- (c) Any submittal to the Agency in connection with the Eligible Improvements proves to have been incorrect in any material and adverse respect when made and continues to be incorrect and materially adverse to the Agency or the City and Participant fails to cure such default within 90 days after notice pursuant to Section 9.1.2; provided, however, that if Participant fails to cure such default within 90 days, the Agency will not seek to terminate this Agreement for an additional 60 days, during which time the Agency and Participant shall meet and confer to resolve the default.
- (d) If, pursuant to or within the meaning of the United States Bankruptcy Code or any other federal or state law relating to insolvency or relief of debtors ("**Bankruptcy Law**"), Participant (i) commences a voluntary case or proceeding; (ii) consents to the entry of an order for relief against Participant or any general partner thereof in an involuntary case; (iii) consents to the appointment of a trustee, receiver, assignee, liquidator or similar official for Participant; (iv) makes an assignment for the benefit of its creditors; or (v) admits in writing its inability to pay its debts as they become due.
- (e) A court of competent jurisdiction shall have made or entered any decree or order (1) adjudging the Participant to be bankrupt or insolvent, (2) approving as properly filed a petition seeking reorganization of the Participant or seeking any arrangement for Participant under Bankruptcy Law or any other applicable debtor's relief law or statute of the United States or any state or other jurisdiction, (3) appointing a receiver, trustee, liquidator, or assignee of the Participant in bankruptcy or insolvency or for any of its properties, or (4) directing the winding up or liquidation of the Participant.
- (f) Participant shall have assigned its assets for the benefit of its creditors (other than pursuant to a mortgage loan) or suffered a sequestration or attachment of or execution on any substantial part of its property, unless the property so assigned, sequestered, attached or executed

upon shall have been returned or released within sixty (60) days after such event (unless a lesser time period is permitted for cure under any other mortgage on the Property, in which event such lesser time period shall apply under this subsection as well) or prior to any sooner sale pursuant to such sequestration, attachment, or execution.

(g) The Participant shall have voluntarily suspended its business or Participant shall have been dissolved or terminated.

(h) Participant defaults in the performance of any term, provision, covenant or agreement contained in this Agreement other than an obligation enumerated in this Section 9.1 and fails to cure such default within the time set forth in Section 9.1.2 below.

Notwithstanding an Event of Default, the Agency shall continue to be obligated to Participant under this Agreement and the Developer Note for reimbursement of all Reimbursable Improvement Costs previously incurred except for an Event of Default under paragraph (c) of this Section where Participant has made a misrepresentation to the Agency or the City in connection with Participant's request for Agency financial assistance.

Section 9.1.2 Notice and Cure. If Participant defaults in the performance of any term, provision, covenant or agreement contained in this Agreement, the Agency shall provide written notice of such default to Participant. Unless a different cure period is specified for such default, Participant shall have ten (10) days in the event of a monetary default, or thirty (30) days in the event of a nonmonetary default, from Participant's receipt of such notice to cure such default; provided however, if the default is of a nature that it cannot be cured within 30 days, Participant shall have thirty (30) days (or such other period as specified) to commence to cure the default and shall thereafter prosecute the curing of such default with due diligence and in good faith to completion no later than sixty (60) days (or such other period as specified) after receipt of notice of the default.

Section 9.2 Agency Default.

An event of default on the part of the Agency ("**Event of Agency Default**") shall arise hereunder if the Agency fails to keep, observe, or perform any of its covenants, duties, or obligations under this Agreement, and the default continues for a period of thirty (30) days after written notice thereof from Participant to the Agency, except for a monetary default which shall be cured within ten (10) days after notice, or in the case of a default which cannot with due diligence be cured within thirty (30) days, the Agency fails to commence to cure the default within thirty (30) days of such notice and thereafter fails to prosecute the curing of such default with due diligence and in good faith to completion.

Section 9.3 Remedies.

Upon the occurrence of an Event of Agency Default or a Participant Event of Default, in addition to pursuing any other remedy allowed at law or in equity or otherwise provided in this Agreement, the non-defaulting party may terminate this Agreement with respect to future obligations arising after such default and/or bring an action for equitable relief seeking the specific

performance of the terms and conditions of this Agreement, and/or enjoining, abating, or preventing any violation of such terms and conditions, and/or seeking to obtain any other remedy consistent with the purpose of this Agreement.

Section 9.4 Rights and Remedies are Cumulative.

Except as otherwise expressly stated in this Agreement, the rights and remedies of the Parties are cumulative, and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at the same time or different times, of any other rights or remedies for the same default or any other default by the other party.

Section 9.5 Inaction Not a Waiver of Default.

Except as expressly provided in this Agreement to the contrary, any failures or delays by either party in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default of any such rights or remedies, or deprive such party of its rights to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

Any failure by the Agency to enforce any of its remedies hereunder in any particular instance shall not constitute a waiver by the Agency of its right to subsequently enforce its rights in the event of a subsequent default.

Section 9.6 Excuse for Nonperformance; Force Majeure.

Participant and the Agency shall be excused from performing any of their obligations and undertakings provided in this Agreement, except any obligation to pay any sums of money under the applicable provisions hereof, in the event and so long as the performance of any such obligation is prevented or delayed, retarded or hindered by an act of God, fire, earthquake, floods, explosion, unusual weather, actions of the elements, war, invasion, insurrection, riot, mob violence, terrorism, sabotage, inability to procure or general shortage of labor, equipment, facilities, materials or supplies in the open market, failure of transportation, strikes, lockouts, action of labor unions, condemnation, requisition, laws, orders of governmental or civil or military or naval authorities, acts or failure to act of governmental entities (except an act or failure to act by the Agency and/or City shall not excuse performance by the Agency) or any other cause, whether similar or dissimilar to the foregoing, not within the control of the party claiming the extension of time to perform. The party claiming such extension shall send written notice of the claimed extension to the other party within thirty (30) days from the commencement of the cause entitling the party to the extension.

Section 9.7 Effect of Termination.

In the event that this Agreement is terminated in accordance with the provisions of this Agreement, the Agency shall not be prevented or precluded from carrying out the Area 2 Redevelopment Plan, including the exercise by the Agency of the power of eminent domain; however the Agency shall not have the right to exercise the power of eminent domain over any portion of the Property upon which the Major Improvements have been completed or upon which

construction of the Major Improvements has commenced in accordance with this Agreement and is thereafter diligently prosecuted to completion.

ARTICLE 10 INDEMNITY

Section 10.1 Indemnity for Performance of Rights and Obligations and Financial Assistance.

Participant shall, and hereby agrees to, unconditionally indemnify, reimburse, defend (with counsel reasonably acceptable to the Agency, but no right to select separate counsel unless joint representation would result in a conflict of interest), protect and hold harmless Indemnitees from and against any and all Claims whether known or unknown, and which directly or indirectly, in whole or in part, are caused by, arise from or relate to, or are alleged to be caused by, arise from or relate to, this Agreement, including but not limited, to the Agency's or City's rights and obligations under this Agreement or the performance of same, Participant's rights and obligations under this Agreement or the performance of same, any approval by the City or the Agency or any of its agencies, departments, commissions, agents, officers, employees or legislative body concerning the Major Improvements or this Agreement, the validity of the Area 2 Redevelopment Plans (if and to the extent that the validity of the Area 2 Redevelopment Plans affect the validity of this Agreement or the Developer Note), the Agency's provision of redevelopment financial assistance for the Eligible Improvements from property tax revenues pursuant to this Agreement or any promissory note given by the Agency as referenced herein, whether or not any insurance policies shall have been determined to be applicable to any such Claims. It is further agreed that the Agency and City do not, and shall not, waive any rights against Participant which they may have by reason of this indemnity and hold harmless agreement because of the acceptance by the Agency, or the deposit with the Agency by Participant, of any of the insurance policies described in this Agreement. The provisions of this Section 10.1 shall survive the expiration or earlier termination of this Agreement and the issuance of a Certificate of Completion for the Eligible Improvements. Participant's indemnification obligations set forth in this Section shall not apply to Claims (i) arising from the gross negligence or willful misconduct of the Indemnitees and/or (ii) arising from or relating to a breach of this Agreement by the Indemnitees or any one of them.

ARTICLE 11 GENERAL PROVISIONS

Section 11.1 Notices, Demands and Communications Between the Parties.

Any written notice, demand, communication or payment of one party to the other shall be served by personal delivery, nationally recognized overnight courier or by registered or certified mail, postage prepaid, return receipt requested, addressed to the parties as follows:

Agency:	City of Reno Redevelopment Agency 1 E 1st St Reno, NV 89501 Attn: Executive Director
---------	---

With Required Copy to:
 City Attorney
 City of Reno, Nevada
 1 E 1st St
 Reno, NV 89501

Participant: _____

All notices, demands, communication or payments shall be deemed received on the date which is three (3) business days after the date of deposit into the U.S. mail if sent by registered or certified mail, when delivered if delivered personally, or one (1) business day after the date of delivery to a nationally recognized overnight courier for overnight delivery if sent by overnight courier. All notices, demands, communications or payments shall be sent to the addresses above or to such other addresses as the affected party may from time to time designate.

Section 11.2 Conflicts of Interest and Disclosure Requirements.

No member, official or employee of the Agency shall have any personal interest, direct or indirect, in this Agreement, nor shall any such member, official or employee participate in any decision relating to this Agreement which affects his personal interests or the interests of any corporation, partnership or association in which he is directly or indirectly interested.

Participant warrants that it has disclosed all persons and entities holding more than 1% (one percent) interest in Participant or any principal member of Participant. Participant shall notify Agency in writing of any material change in the ownership of Participant within fifteen (15) days of any such change.

Section 11.3 Warranty Against Payment of Consideration for Agreement.

Participant warrants that it has not paid or given, and will not pay or give, to any third person, any money or other consideration for obtaining this Agreement, other than normal costs of conducting business and costs of professional services such as architects, engineers and attorneys.

Section 11.4 Nonliability of Agency and City Officials.

No member, official or employee of the Agency or the City shall personally be liable to Participant, or any assignee or successor of Participant, in the event of any default or breach by the Agency or for any amount which may become due to Participant on any obligation under the terms of this Agreement.

Section 11.5 Litigation.

In the event of any legal proceeding arising out of any controversy, claim or dispute between the parties related to this Agreement or the improvement and development of the Property, the prevailing party shall be entitled to recover from the non-prevailing party all of its reasonable costs and expenses incurred in the legal proceedings, including but not limited to attorneys' fees and court costs.

Section 11.6 Severability.

If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall continue in full force and effect unless the rights and obligations of the parties have been materially altered or abridged by such invalidation, voiding or unenforceability.

Section 11.7 Counterparts; Entire Agreement; Waivers and Amendments.

This Agreement may be executed in duplicate originals, each of which is deemed to be an original. This Agreement, together with all Exhibits which are incorporated herein by reference, constitutes the entire understanding and agreement of the parties respecting the subject matter hereof. This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the parties with respect to all or any part of the subject matter hereof.

Section 11.8 Applicable Law.

The laws of the State of Nevada shall govern the interpretation and enforcement of this Agreement. Any action to enforce or interpret this Agreement must be filed in Washoe County, State of Nevada.

Section 11.9 Liability Insurance.

a. Participant shall maintain in force during the construction of the Eligible Improvements and through the Completion of the Eligible Improvements and the issuance of the Certificate of Completion for the Eligible Improvements as described in Section 4.6 of this Agreement, public liability and property damage insurance from carrier(s) and in a form acceptable to the Agency, including personal injury and pollution legal liability, contractual and owned and non-owned automobiles, with such coverage and limits as may be reasonably requested by the Agency and City from time to time, but in no event for less than the sum of \$2,000,000 per occurrence and \$5,000,000 combined single limit.

b. Public liability insurance policies shall name the Agency and the City as additional insureds, and any policy or policies shall contain cross-liability endorsements. An endorsement shall be provided which states the coverage is primary insurance and that no other insurance held by the Agency or the City will be called upon to contribute to a loss under the coverage.

c. A certificate evidencing such insurance coverage or coverages shall be filed with the Agency and the City prior to commencement of construction (or any work related thereto) on the Property, and said certificate shall provide that such insurance coverage will not be reduced without the insurer endeavoring to give at least 30 days' prior written notice to the Agency and City and will not be cancelled without the insurer endeavoring to give at least ten days' prior written notice to the Agency and the City. In the event of a reduction or cancellation in coverage, Participant shall, prior to such reduction or cancellation, provide at least 30 days' prior written notice to the Agency and the City, regardless of any notification by an insurer. "Commencement of construction" for purposes of this paragraph means any grading, trenching, or preparation of ground for the installation of infrastructure.

d. If such coverage is cancelled or reduced, Participant shall, within 15 days after receipt of written notice from the Agency or the City regarding such cancellation or reduction in coverage, but in no event later than the effective date of cancellation or reduction, file with the Agency and the City a certificate showing that the required insurance has been reinstated or provided through another insurance company or companies. Upon failure to so file such certificate, the Agency or the City may, without further notice and at its option, procure such insurance coverage at Participant's expense, and Participant shall promptly reimburse the Agency or City, as the case may be, for such expense upon receipt of billing from the Agency or the City.

Section 11.10 Recordation.

The Agency is authorized to record a Memorandum of this Agreement and any amendments hereto in the official records of Washoe County, Nevada.

Section 11.11 Other Agreements.

This Agreement, including all agreements attached hereto and incorporated herein, has been entered into by the parties respectively thereto based upon the unique facts and circumstances pertaining to the Major Improvements and the Property. It shall be entirely within the respective sole discretion of the Agency and the City to rely, or not to rely, on any provision of such Agreement or agreements in the development of any subsequent owner participation or other agreement(s) which the Agency or the City hereafter may elect to develop and/or execute.

Section 11.12 Survival.

All representations made by Participant hereunder and Participant's obligations pursuant to Sections [3.8, 4.4, 4.7, 4.11, and 10.1] shall survive the expiration or termination of this Agreement and the issuance and recordation of a Certificate of Completion for the Eligible Improvements and shall expire upon the expiration of the statute of limitations with respect to the causes of action described in each subsection.

Section 11.13 Construction.

Any reference to a law, statute or ordinance shall be deemed to be a reference to such law, statute or ordinance as it may be amended or supplemented from time to time.

SIGNATURES ON FOLLOWING PAGE.

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the day and year first above written.

Agency:

**CITY OF RENO
REDEVELOPMENT AGENCY,**
a public body, corporate and politic

APPROVED AS TO FORM:

By: _____
[Name]
Executive Director

By: _____

ATTEST:

By: _____
[Name]
[Secretary, City of Reno Redevelopment Agency]

Participant:

[PARTICIPANT NAME]
a Nevada limited liability company

By: _____

Name:

Title:

EXHIBIT A

PROPERTY

[Legal description to be inserted]

EXHIBIT B

**LIMITED OBLIGATION TAX INCREMENT REVENUE
DEVELOPER NOTE
(Eligible Improvements)**

\$ _____

Reno, Nevada
_____, 20__

FOR VALUE RECEIVED, THE CITY OF RENO REDEVELOPMENT AGENCY, a Nevada public body, corporate and politic (“**Agency**”), promises to pay to the order of **POWER SPORTS DEVELOPMENT LLC**, a Nevada limited liability company or its assignee as permitted under the terms hereof (“**Participant**”) in lawful money of the United States of America the principal sum of _____ Dollars (\$ _____ .00), or so much thereof as may be outstanding from time to time pursuant to the Owner Participation Agreement referred to below, in accordance with the terms and conditions described herein.

This Limited Obligation Tax Increment Revenue Developer Note (this “**Developer Note**”) has been executed and delivered pursuant to and in accordance with that certain Owner Participation Agreement executed by and between the Agency and Participant dated as of the date hereof (the “**OPA**”) and is subject to the terms and conditions of the OPA, which by this reference is incorporated herein and made a part hereof. Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the OPA.

1. Payment Terms

1.1 Maturity Date. The maturity date of this Developer Note (“**Maturity Date**”) is August 24, 2035. On the Maturity Date, any and all amounts due and owing under this Developer Note, including but not limited to the principal balance and accrued interest outstanding hereunder on the Maturity Date, shall be automatically forgiven. UPON SUCH FORGIVENESS, THIS DEVELOPER NOTE SHALL BE DEEMED PAID IN FULL, AND NEITHER AGENCY, NOR THE CITY, NOR ANY AGENCY THEREOF SHALL BE LIABLE FOR ANY AMOUNTS UNPAID UNDER THE DEVELOPER NOTE.

1.2 Interest. No interest shall accrue on the outstanding principal balance or any other amount payable hereunder.

1.3 Advances. Each payment by Participant of Eligible Costs (as defined in the OPA) shall be deemed an advance hereunder as of the Advance Date, subject to the Agency’s approval of the Eligible Costs in accordance with Article 6 of the OPA. ONLY ELIGIBLE COSTS APPROVED IN ACCORDANCE WITH ALL TERMS AND CONDITIONS OF THE OPA AND PAID BY PARTICIPANT SHALL QUALIFY AS AN ADVANCE HEREUNDER. The total advances shall not exceed the Maximum Principal Amount (as defined below).

1.4. Maximum Principal Amount. The maximum principal amount of this Developer Note (“**Maximum Principal Amount**”) shall be the lesser of (i) the total amount of

Eligible Costs; or (ii) the sum of _____ Dollars (\$ _____). The principal amount of this Developer Note shall in no event exceed the Maximum Principal Amount. The Agency shall not be liable for the payment of any sums which would have otherwise been due and owed but for the provisions of this paragraph.

1.5 Semi-Annual Payments from Tax Increment. Provided that Project Tax Increment has been allocated to and received by the Agency and that there is an outstanding principal balance hereunder, on the first day of each June and each December during the term of this Developer Note Agency shall pay to Participant from Project Tax Increment an amount calculated pursuant to the formulas below (the “**Semi-Annual Payment**”).

Semi Annual Payment = Total Area 2 Tax Increment received by the Agency for the prior 6 months multiplied by Share of Tax Increment Attributed to Project (%), multiplied by the Agreed Percentage.

Share of Tax Increment Attributed to Project (%) = Total Project Tax Increment to be Billed/Total Area 2 Tax Increment to be Billed

Total Project Tax Increment to be Billed = Total Tax Billings for all Project Parcels x Real Estate Property Tax Rate Calculated Percent (for the tax district the parcel is in).

The Agency shall have no obligation, under any circumstance, to make any payments over the term of this Developer Note in an amount in excess of the Semi-Annual Payment toward the satisfaction of any obligation hereunder, irrespective of the principal balance outstanding hereunder, and the Agency’s obligation to make any payment hereunder is wholly contingent and dependent upon the allocation to and receipt by the Agency of sufficient Project Tax Increment. Each Semi-Annual Payment shall be applied as of the date it is received by Participant toward reduction of the outstanding principal balance hereunder. All amounts owed under this Developer Note shall be due and payable in lawful money of the United States of America without setoff, deduction or counterclaim, except as expressly provided herein.

The Agency may offset the Administrative Fee payable to the Agency under the OPA against the Semi-Annual Payments otherwise payable hereunder until the Agency has receive an amount equal to the entire Administrative Fee.

THE AMOUNT DUE AND PAYABLE HEREUNDER: (I) DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE AGENCY PAYABLE FROM ANY SOURCE OTHER THAN PROJECT TAX INCREMENT; (II) IS NOT PAYABLE FROM, AND IS NOT A CHARGE UPON, ANY FUNDS OF THE AGENCY OTHER THAN THE PROJECT TAX INCREMENT, (III) ARE NOT BACKED BY THE FULL FAITH AND CREDIT OF AGENCY, AND (IV) ARE NOT SECURED BY A PLEDGE OF ANY TAXING POWER.

1.6 Source of Payment. Project Tax Increment shall be the sole and exclusive source of repayment under this Developer Note, and payments under this Developer Note shall be made only if Project Tax Increment is allocated to and received by the Agency, as herein provided.

Until the outstanding principal balance under this Developer Note is paid in full, the Agency shall diligently pursue collection of all Project Tax Increment to which it is entitled under the Nevada Community Redevelopment Law, NRS chapter 279, and, except as otherwise permitted hereunder, the Agency shall not agree to waive or defer allocation and receipt of any Project Tax Increment to which it is entitled under the Nevada Community Redevelopment Law, NRS chapter 279.

In the event that the total amount of property tax revenues to be allocated and paid to the Agency must be limited pursuant to the Nevada Community Redevelopment Law, NRS chapter 279, the Agency shall be permitted to determine the allocation of property tax revenues to each redevelopment area, which allocation shall be done in an equitable manner; provided, however, to the extent not prohibited by law, the Agency agrees that if such allocation of property tax revenues becomes necessary, in allocating such property tax revenues it will give priority to the repayment of the debt evidenced by this Developer Note over debts incurred later in time.

1.7 Prepayment. The Agency may, without penalty or premium, at any time and from time to time, pay all or any part of the amounts owed hereunder. Any such prepayment shall be applied toward reduction of the outstanding principal balance hereunder.

1.8 Manner of Payment. All payments of principal on this Developer Note shall be made to Participant at _____ Attn: _____, or such other place as Participant shall designate to the Agency in writing.

1.9 Termination of Payment Obligations. The Agency's obligation to pay Semi-Annual Payments to Participant shall cease and terminate upon the earlier of: (i) the full payment to Participant of all amounts owed under this Developer Note, or (ii) the Maturity Date.

2. Default. An event of default hereunder shall occur only if the Agency fails to make a Semi-Annual Payment.

3. Assignment. This Developer Note may not be assigned by Participant without the prior written approval of the Agency. Any assignment without prior Agency written approval shall be void and invalid. If Participant proposes to assign this Developer Note, it shall make a written request to the Agency for approval of the assignment and shall submit to the Agency for review and approval all instruments and other legal documents proposed to effect any such assignment. If a proposed assignment is approved by the Agency, its approval shall be indicated to Participant in writing. Unless a proposed assignment is approved by the Agency in writing within 30 days of receipt of written request by Participant, it shall be deemed rejected. The Agency retains final discretionary approval of each proposed assignment. Participant shall promptly notify the Agency in writing of any assignment of this Developer Note.

4. Return of Developer Note. Upon the full payment of all amounts owed under this Developer Note, Participant shall return this Developer Note to the Agency.

5. Waiver; Remedies. The failure of Participant to exercise any of its rights hereunder in any instance shall not constitute a waiver thereof in that or any other instance. Either party shall

be entitled to specific performance of the terms hereof, in addition to any other legal or equitable remedies.

6. Governing Law; Venue. This Developer Note shall be governed by and construed in accordance with the laws of the State of Nevada without regard to principles of conflicts of laws. Any legal action filed in connection with this Developer Note shall be filed in Washoe County, Nevada.

7. Agency Waivers. The Agency waives presentment, demand of payment, notice of nonpayment, protest, notice of protest, and all exemptions.

8. Severability. If any provision hereof is found to be invalid or unenforceable by a court of competent jurisdiction, the invalidity or unenforceability thereof shall not affect the validity and enforceability of the remaining provisions of this Developer Note.

9. Section Headings; Construction. The headings of Sections in this Developer Note are provided for convenience only and shall not affect the construction or interpretation of this Developer Note.

CITY OF RENO
REDEVELOPMENT AGENCY,
a public body, corporate and politic

APPROVED AS TO FORM:

By: _____
[Name]
Chairman

By: _____
[Name]
City Attorney

ATTEST:

By: _____
[Name]
Secretary, City of Reno Redevelopment Agency

EXHIBIT C
MASTER LIST

- (i) a 10,000+/- seat arena
- (ii) a 50,000+/- square foot community ice rink
- (iii) a 2,400+/- space parking garage
- (iv) a golf driving range

EXHIBIT D

[INTENTIONALLY OMITTED]

EXHIBIT E

FORM OF CERTIFICATE OF COMPLETION

APN(s):

Recording requested by:

[_____]

When recorded mail to:

City of Reno Redevelopment Agency
1 E 1st St
Reno, NV 89501
Attn: Chairman

Space above this line for Recorder's use.

CERTIFICATE OF COMPLETION

This Certificate of Completion (the “**Certificate**”) is made by the Redevelopment Agency of the City of Reno, a public body, corporate and politic (the “**Agency**”) effective as of _____, 20__.

RECITALS

A. The Agency and [PARTICIPANT NAME], a Nevada limited liability company (“**Participant**”) entered into that certain Owner Participation Agreement (the “**OPA**”) dated as of _____, 20__ concerning the redevelopment of certain real property described in EXHIBIT A attached hereto (the “**Property**”).

B. Pursuant to Section 4.6 of the OPA, the Agency is required to furnish the Participant or its successors with a Certificate of Completion upon completion of construction of the Eligible Improvements in accordance with the OPA and issuance by the City of Reno of a Certificate of Occupancy for the Eligible Improvements.

C. The Agency has determined that the Eligible Improvements have been satisfactorily completed in accordance with the OPA.

NOW, THEREFORE, the Agency hereby certifies as follows:

1. The Eligible Improvements have been satisfactorily completed in conformance with the OPA.

2. All use, maintenance and nondiscrimination covenants contained in the OPA shall remain in effect and enforceable in accordance with the OPA. This Certificate does not constitute evidence of Participant's compliance with those covenants in the OPA that survive the issuance of this Certificate.

3. This Certificate shall not constitute evidence of compliance with or satisfaction of any obligation of Participant to any holder of a deed of trust securing money loaned to finance the Eligible Improvements or any part thereof and shall not be deemed a notice of completion under the NRS, Chapter 108.

4. Nothing contained in this instrument shall modify any provisions of the OPA or any other document executed in connection therewith.

IN WITNESS WHEREOF, the Agency has executed and issued this Certificate of Completion as of the date first written above.

CITY OF RENO
REDEVELOPMENT AGENCY,
a public body, corporate and politic

By: **FORM-DO NOT SIGN**

Name: _____
Chairman

ATTEST:

By: ***FORM- DO NOT SIGN***
Secretary, City of Reno Redevelopment Agency

APPROVED AS TO FORM:

By: **FORM-DO NOT SIGN**

[INSERT JURAT].

Exhibit A to Certificate of Completion

PROPERTY

[To be inserted prior to issuance.]

Financial Gap Analysis and Proposed Deal Terms for Tax Increment Financing – Grand Sierra Resort Expansion and Arena Phase 1

4/21/25



GSR TIF Timeline & Process

How We Got Here:

- **October 2024**
Grand Sierra Resort TIF Catalyst Project application received, and RDA Board directed staff to proceed to Market Analysis with Hunden Partners
- **February 2025**
RAAB recommendation to explore TIF participation and Gap Analysis for Grand Sierra Resort Phase 1
- **March 2025**
Hunden Partners provided Market Analysis to the RDA Board, which directed staff to proceed with a Gap Analysis and to negotiate a Participation Agreement
- **April 2025**
Gap analysis completed — confirmed project passes "But For" test without public investment

Next Steps:

- RAAB recommendation on deal terms
- RDA Board approval of terms – May 7th
- Finalization and execution of Owner Participation Agreement (OPA)

What This Deal Is (And is Not)

What This Deal *Is*:

- A performance-based Owner Participation Agreement
- A structured Tax Increment Financing (TIF) reimbursement
- A tool to close a verified \$145.8 million financial gap

Key Points:

- GSR pays property taxes in full
- Reimbursement only from increment generated by the project
- No City or RDA financial risk
- No reimbursement after 2035, when RDA2 sunsets
- Terms do not carry over if RDA2 is extended

What This Deal *Is Not*:

- ⓪ Not a loan
- ⓪ Not a bond
- ⓪ Not an advance payment

RDA reimbursement is limited to property taxes and do not extend to other tax revenue streams.

Funding Stream for Project Costs:	Reno	Developer
Onsite Sales Tax	Not Used	
Commercial Lease Tax	Not Used	
Hotel Bed Tax	Not Used	
Property Taxes		Incremental Only
Additional Surcharges on Goods in District	Not Used	
Issuing Bonds?	Not Used	

Deal Term Options

Option 1: 100% TIF Reimbursement

- Full reimbursement of increment to GSR
- Fire Station 21 land deeded to the City
- Lease terminates after OPA execution

Option 2: 90/10% TIF – Lease Continues

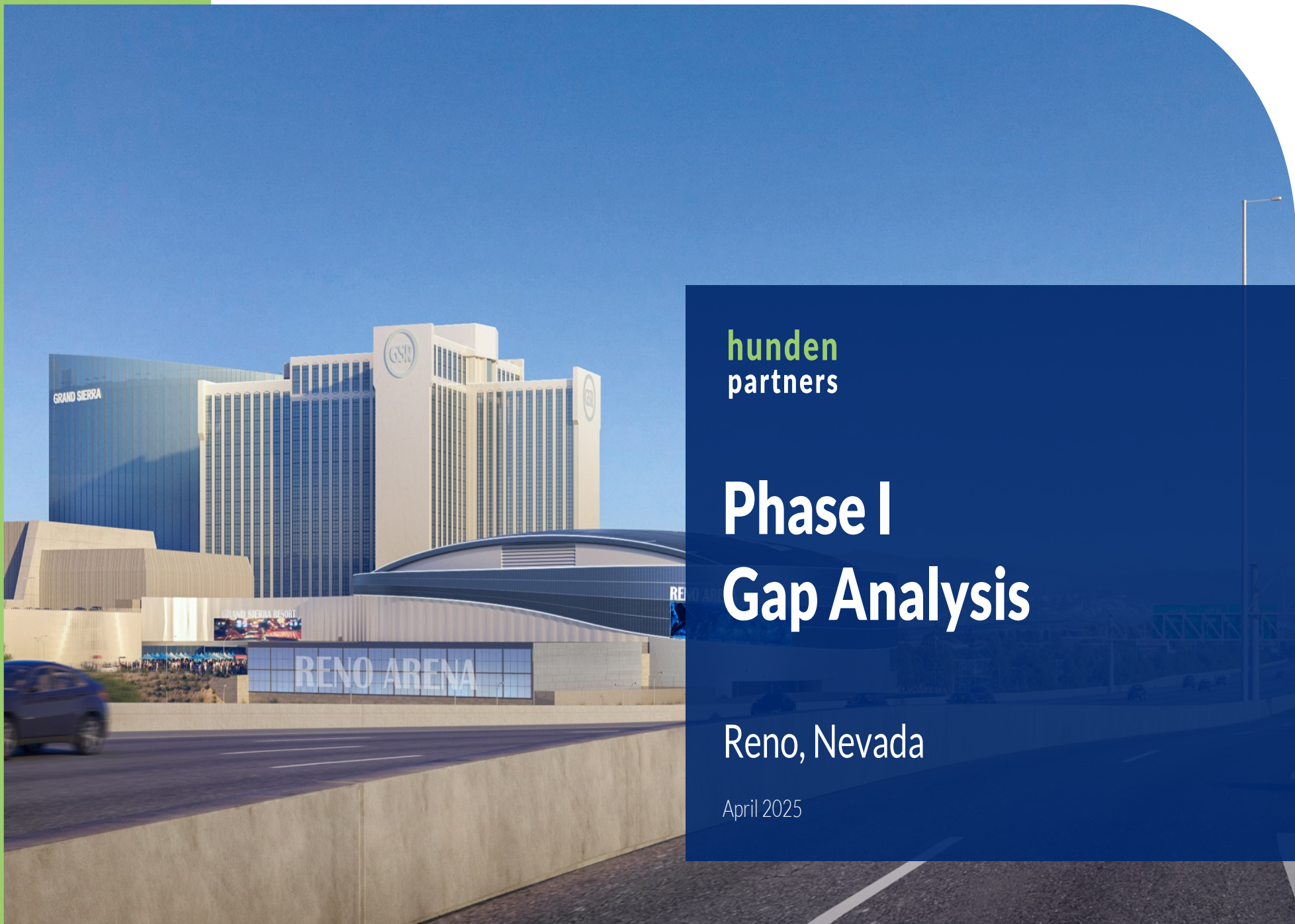
- 90% to GSR, 10% retained by RDA 2
- Current lease continues at market rate
- City or RDA retains option to purchase land

Option 3: 90/10% TIF – River Investment & Purchase

- 90% to GSR, 10% to RDA 2
- 10% earmarked for river improvements
- City purchases Fire Station 21 land

Recommended Motion

“I move to approve the _____ deal terms and authorize the Executive Director of the Redevelopment Agency to execute the final Participation Agreement based on the presented deal terms.”



hunden
partners

Phase I Gap Analysis

Reno, Nevada

April 2025

North America's Leading Destination Advisor

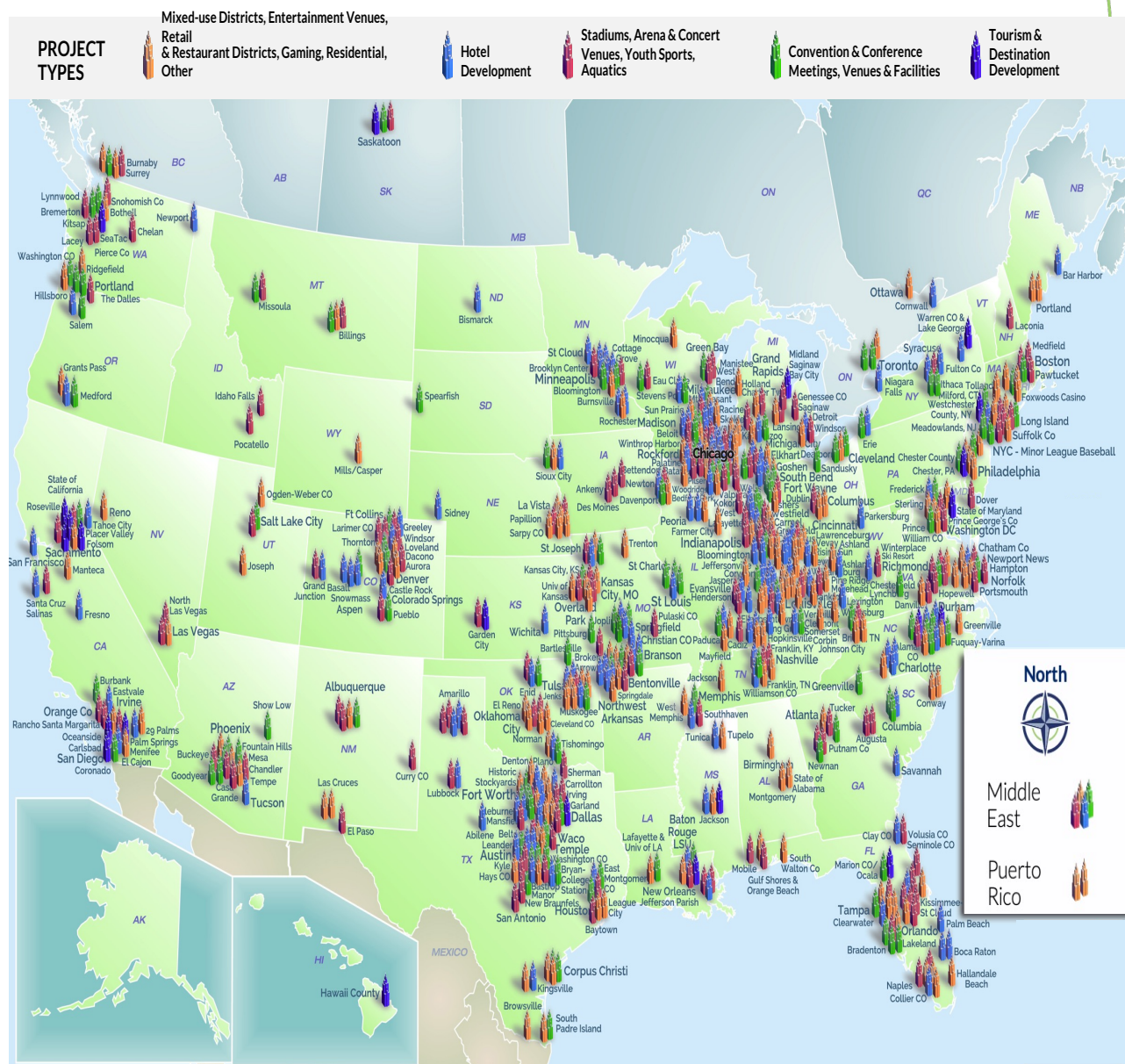
>1,000 studies and processes | **\$25B** planned or built assets

650+ conference, convention,
event center & hotel
studies

175+ destination & entertainment district studies

200+ youth sports, stadium & arena studies

20+ placemaking & destination strategy plans in the last 3 years



Hotel Brands

Pro Sports

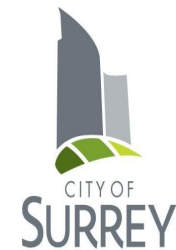
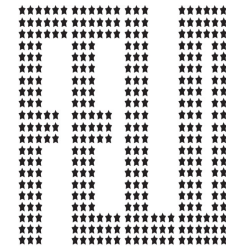
Entertainment

Destinations



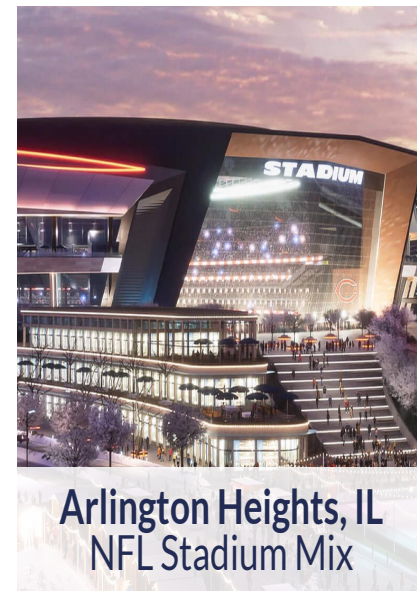
PORTMAN

OMNI  HOTELS®





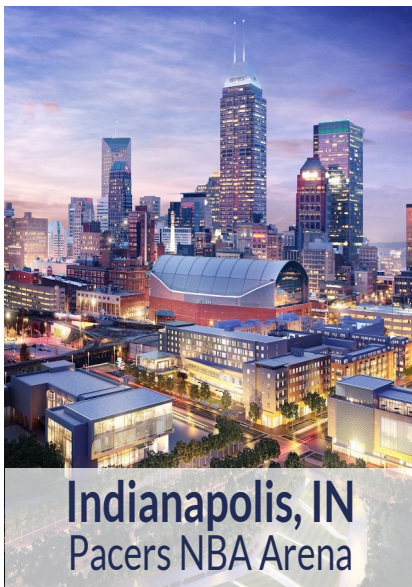
Indianapolis, IN
Eleven Park



Arlington Heights, IL
NFL Stadium Mix

Select Stadiums, Arenas & Districts

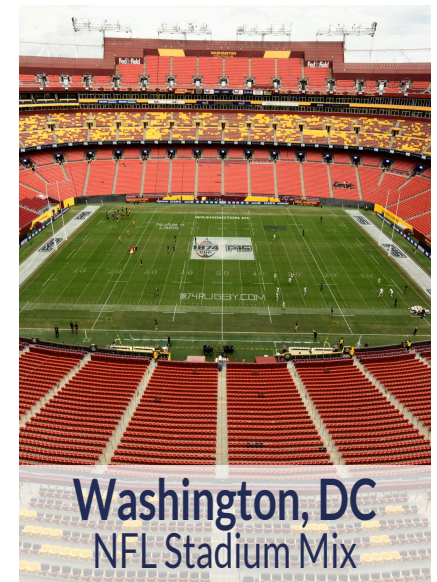
Market Demand, Financial Feasibility & Economic Impact Studies



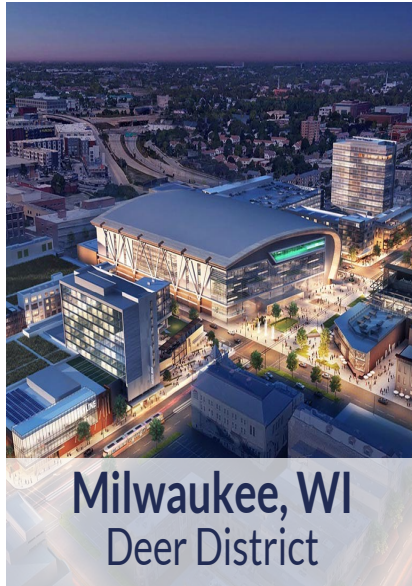
Indianapolis, IN
Pacers NBA Arena



Philadelphia, PA
NBA/NHL Stadium Mix



Washington, DC
NFL Stadium Mix



Select Stadiums, Arenas & Districts

Market Demand, Financial Feasibility & Economic Impact Studies



Introduction

Hunden Partners (“Hunden”) was engaged by the City of Reno Redevelopment Agency (“Client” or “City”) to provide an independent review of a development proposal by Meruelo Gaming (“Developer”) for a new sports and entertainment district in Reno, Nevada.

ASSUMPTIONS AND CONDITIONS

This presentation has been prepared under the following general assumptions and limiting conditions:

- The findings presented herein reflect analysis of primary and secondary sources of information assumed to be correct. Hunden utilized sources deemed to be reliable but cannot guarantee accuracy.
- No responsibility is taken for changes in market conditions after the date of this report and no obligation is assumed to revise this report to reflect events or conditions occurring thereafter.
- Hunden has no control over construction costs or timing of construction and opening.
- Macroeconomic events affecting events, travel, and the economy cannot be predicted and may impact the development and performance of the venues, real estate, and overall organization.

We have enjoyed serving you on this engagement and look forward to providing you with continuing service.

Sincerely yours,

Hunden Partners

“But For” Test

Hunden’s analysis evaluates whether the Project proposed by the Meruelo Group meets the criteria of the “But For” test, as defined below. This report outlines the projected financial returns of the Project, which include return metrics based on the construction costs provided by the Meruelo Group.

A key consideration is that, while the Meruelo Group may have the financial capacity to fund the Project, they are unlikely to move forward unless it demonstrates financial viability and delivers a reasonable return on investment. This analysis argues that **“but for”** the RDA financial support, the Project would not be economically feasible and therefore would not proceed. To evaluate this, Hunden compared the Project’s projected returns to relevant industry benchmarks.



Phase I Estimated Construction Cost

Previous Phase I Total
Construction Cost:
\$633 Million

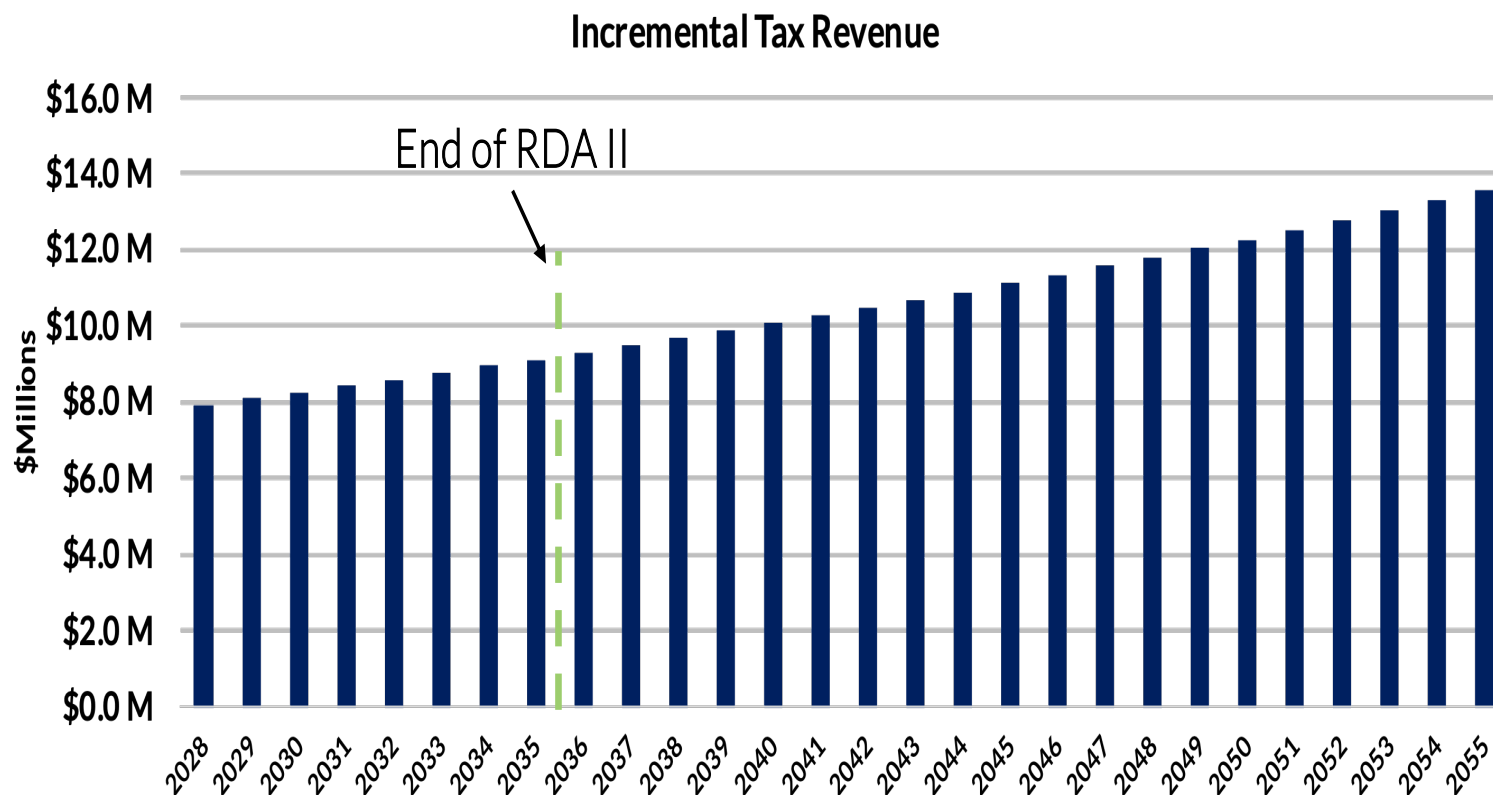
New Phase I Total
Construction Cost:
\$786 Million

Increase in Cost:
\$153 Million

	Hard Cost	Soft Cost	FF&E	Total Cost
Arena/Community Ice Rink	\$486,000,000	\$142,600,000	\$19,500,000	\$648,100,000
Parking Garage	\$65,000,000	\$10,300,000	\$1,100,000	\$76,400,000
Aqua Golf	\$27,000,000	\$4,300,000	\$500,000	\$31,800,000
Infrastructure	\$25,000,000	\$4,400,000	\$0	\$29,400,000
Total	\$603,000,000	\$161,600,000	\$21,100,000	\$785,700,000

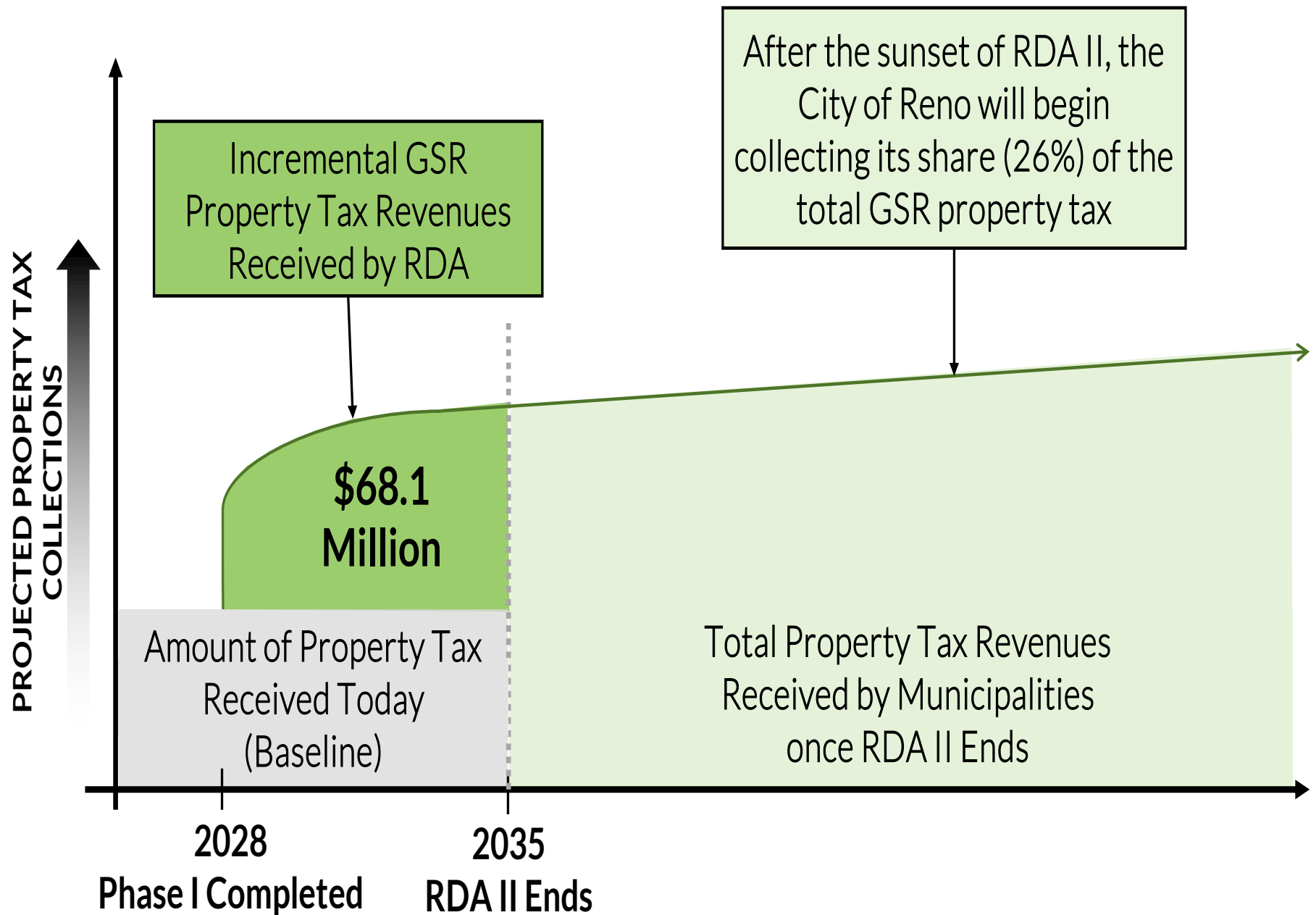
Incremental New Tax Revenue Generating by Phase I

Phase I of the project, which includes the Arena, Community Ice Rink, Parking Garage, and Aqua Golf, is expected to generate an average of \$10.5 million in incremental property tax revenue each year. From its anticipated completion in 2028 through the end of the RDA II period, 2035, the development is projected to contribute approximately \$68.1 million in property tax revenue to RDA II. By 2055, total incremental property tax revenue is estimated to reach \$294.1 million. **It's important to note that the \$294.1 million reflects the total incremental property tax revenue across all municipalities, not just Reno's share and includes the portion recaptured by GSR.**



Accrued Incremental Property Tax (\$ Millions)	
Year	Total Property Tax
Total through 2035	\$68.1 M
Total through 2045	\$169.9 M
Total through 2055	\$294.1 M

Capturable Tax Revenue



How Other Venues Were Funded in Nevada

Semi-Professional or Collegiate

Henderson

2022



50% Public
\$42 M

50% Private
\$42 M

Clark County Bonds
*Backed by Special Tax
on Hotel Room Nights*

Lee's Family Forum:
\$84 Million

Las Vegas

1983



100% Public
\$30 M

State Slot Taxes

Thomas & Mack Ctr:
\$30 Million

Las Vegas

2001



100% Public
\$16.8 M

Donor Sponsorship and
Institutional Debt

Cox Pavilion:
\$16.8 Million

Project Assumptions

Arena*



95 Events

553,900 Annual Attendees

25,000 SF of Fan Zone Retail

UNR Men's Basketball Lease

*At stabilization 2031

Aqua Golf



352,800 Annual Attendees

213,780 Annual Memberships

GSR Incremental Revenue



Incremental Room Nights

Food & Beverage Revenue

Casino Gaming Revenue

Projected Returns and Financial Gap

Current* Internal Rate of
Return (IRR):
3.0%

Minimum Risk-Free Internal
Rate of Return (IRR):
4.5%

Financial GAP:
\$145.8 Million

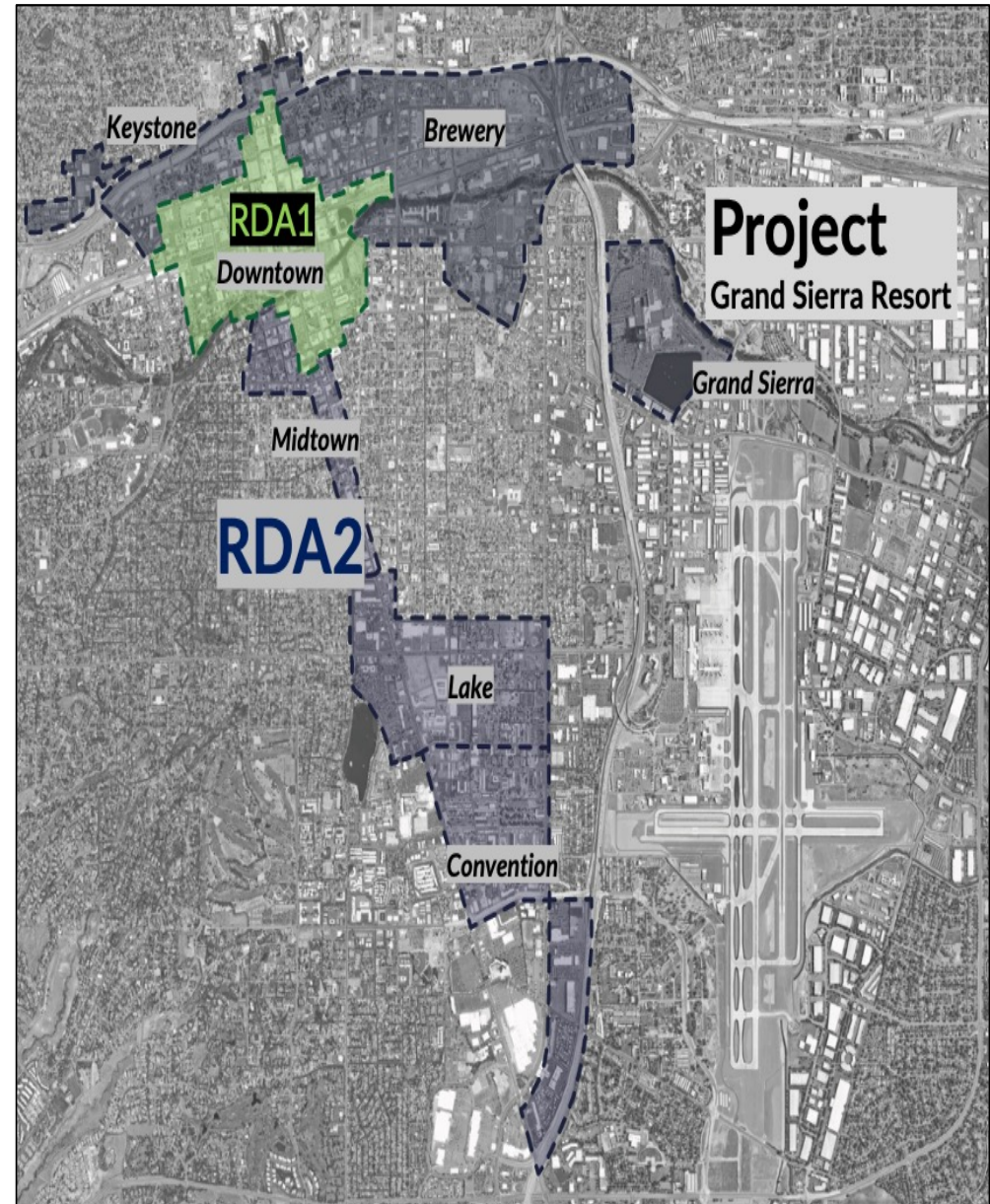
Phase 1 Net Operating Income (\$Millions)						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Arena	\$9.6	\$13.9	\$16.7	\$17.6	\$18.0	\$20.6
Aqua Golf	\$3.0	\$3.1	\$3.2	\$3.3	\$3.4	\$3.9
GSR Incremental Revenue	\$9.0	\$10.0	\$10.6	\$11.0	\$11.3	\$13.1
Total NOI	\$21.6	\$27.0	\$30.5	\$31.9	\$32.7	\$37.6

* Takes in account of increased project cost

Implications

By analyzing the expected returns from Phase I of the project, which includes the Arena and Aqua Golf, and comparing them to benchmark investments such as the current risk-free rate, Hunden concludes that the development does not provide a sufficient return to justify the investment. But for the Agency's funding through the TIF program, the Project is not financially feasible and there are no other reasonable means of financing available.

“But For” Test



Economic Impact of Phase I to the City of Reno, NV

One Time Construction Impact	Economic Impact 2028* - 2035	+	Economic Impact 2028* - 2045	+	Economic Impact 2028* - 2055
1,770 Full-Time Equivalent Jobs supported over 2 years of construction	\$520 million Total Net New Spending		\$1.4 billion Total Net New Spending		\$2.6 billion Total Net New Spending
	\$140 million Total Net New Earnings		\$376 million Total Net New Earnings		\$693 million Total Net New Earnings
	364 Average Yearly Full-Time Equivalent Jobs Supported		371 Average Yearly Full-Time Equivalent Jobs Supported		373 Average Yearly Full-Time Equivalent Jobs Supported
	\$8.9 million Net New Local Tax Revenue		\$39.9 million Net New Local Tax Revenue		\$74.2 million Net New Local Tax Revenue



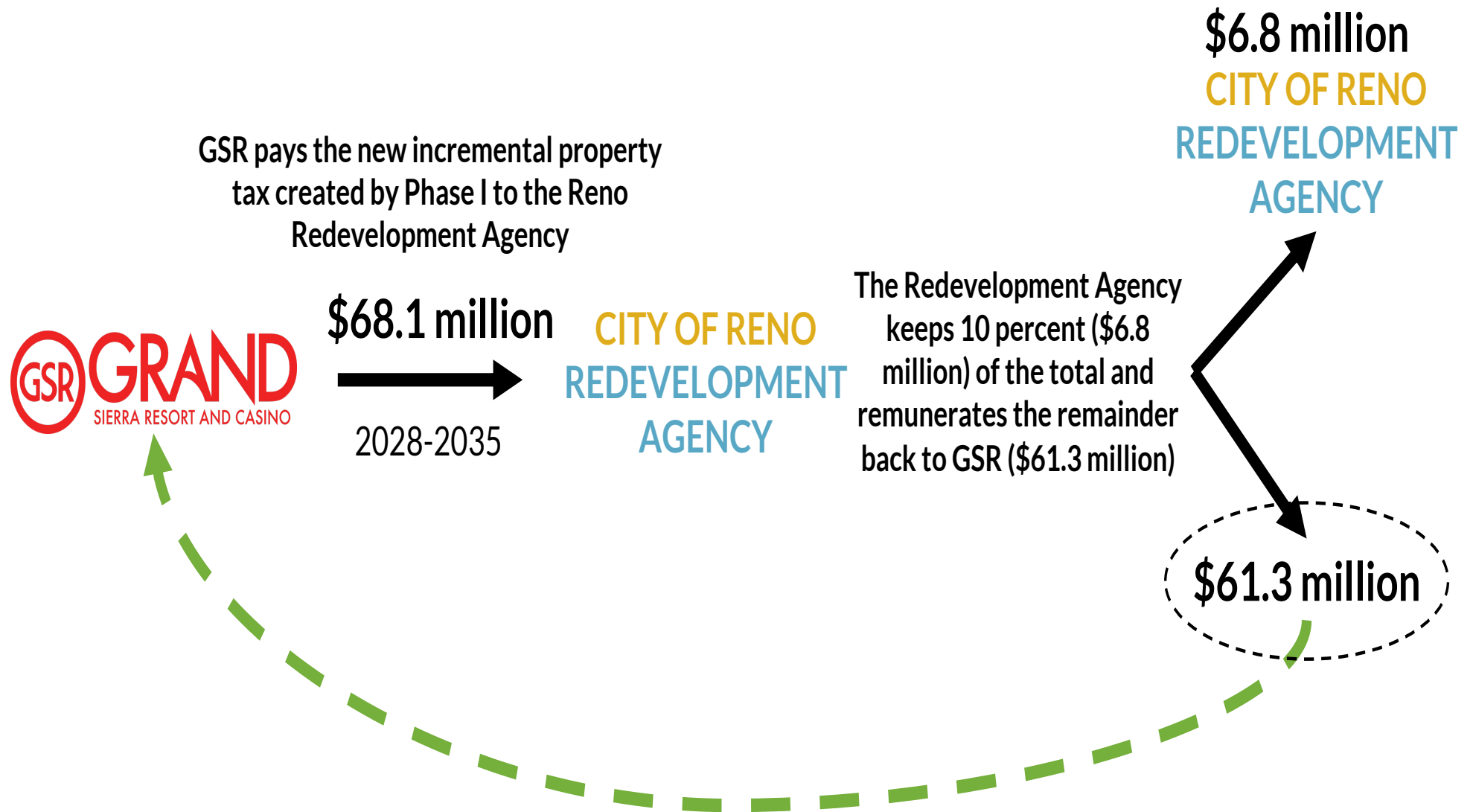
*All components of Phase I are operational (2028)

Economic Impact of Phase I to the Region

One Time Construction Impact	Economic Impact 2028* - 2035	+	Economic Impact 2028* - 2045	+	Economic Impact 2028* - 2055
1,770 Full-Time Equivalent Jobs supported over 2 years of construction	\$488 million Total Net New Spending		\$1.3 billion Total Net New Spending		\$2.4 billion Total Net New Spending
	\$131 million Total Net New Earnings		\$354 million Total Net New Earnings		\$653 million Total Net New Earnings
	343 Average Yearly Full-Time Equivalent Jobs Supported		351 Average Yearly Full-Time Equivalent Jobs Supported		353 Average Yearly Full-Time Equivalent Jobs Supported
	\$13.4 million Net New Tax Revenue		\$127.4 million Net New Tax Revenue		\$224.8 million Net New Tax Revenue

*All components of Phase I are operational (2028)

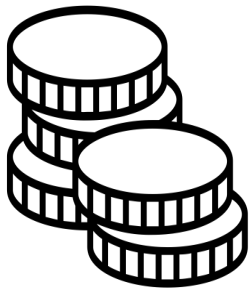
RDA II Incremental Property Tax Share Agreement (90/10)



Benefit to the Community Over 2028 - 2055 (City of Reno, NV)

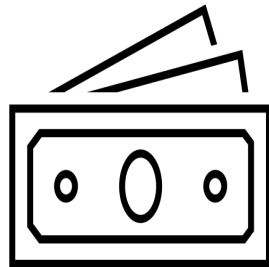
$$\text{Return on Investment for the City of Reno} = \left(\frac{\$74.2^* \text{ million}}{\$61.3 \text{ million}} \right) = 121\%$$

*Includes Reno's Property Tax, C-Tax, and Hotel Tax



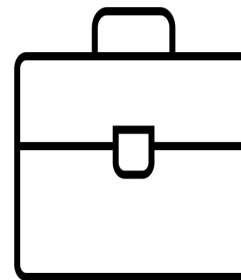
\$2.6 billion

Total Net New Spending



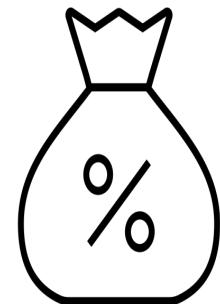
\$693 million

Total Net New Earnings



373 Jobs

Average FTE Jobs Supported



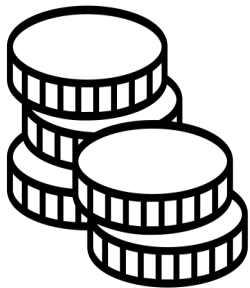
\$74.2 million

Net New Local Tax Revenue*

Benefit to the Community Over 2028 – 2055 (Region)

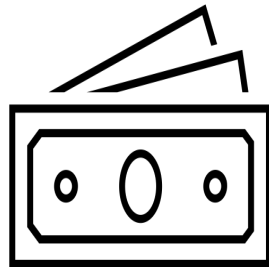
$$\text{Return on Investment for the Region} = \left(\frac{\$225^* \text{ million}}{\$61.3 \text{ million}} \right) = 367\%$$

*Includes Property Tax, C-Tax, and Hotel Tax



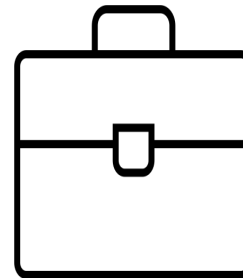
\$2.4 billion

Total Net New Spending



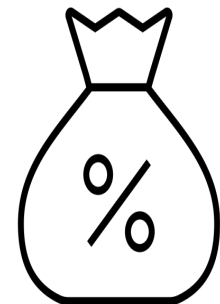
\$653 million

Total Net New Earnings



353 Jobs

Average FTE Jobs Supported



\$225 million

Net New Tax Revenue*

Thank You!

Q&A

MEMORANDUM

Date: May 2, 2025

Re: Hunden's Review of Mr. Wells's Counter Report

Mr. Wells recently released a document in response to our firm's (Hunden) independent review of a new arena-anchored mixed-use district expansion at Grand Sierra Resort (Project) proposed by the Meruelo Gaming Group. This summary addresses the claims made by Mr. Wells of the proposed Project, which aimed to objectively evaluate the viability and potential economic impact of the proposed development. Hunden recognizes that methodologies and review processes for assessing the economic impact of proposed projects can vary. However, it is unreasonable to dispute the fundamental logic that an arena will generate some level of economic impact in a given area, regardless of personal opinions about its use.

Mr. Wells's Claim/Statement: "Phase 1 provides an annual direct impact of \$8.8 million with a total impact of \$13.9 million. Through 2055, Phase 1 is projected to generate in constant dollars \$246 million in direct impacts and \$389 million with the multiplier effect. So the total estimated impact over 28 years is about 20% of what Hunden Partners suggests, a significant difference."

There are several key reasons for the discrepancy between Mr. Wells's estimates and those from Hunden Partners.

How displacement is treated. Mr. Wells assumes that a much higher share of events and attendees involves a simple shift in spending from elsewhere in Reno. As detailed later in this memo, Hunden's approach is informed by direct conversations with event promoters and market data that supports a much higher share of net new activity. Mr. Wells fails to address or acknowledge the fact that there is NOT a facility in the greater Reno market that is currently suitable for today's live entertainment events related to state-of-the-art production, revenue generation, and customer/fan-facing amenities.

The notion that the current Reno Events Center is attractive for promoters shows the lack of market/industry-based knowledge required to make an assessment of the facilities within the Reno market. The Reno Events Center is a flat-floor event space that does not cater to the types of events and concerts that the Arena would attract, which was solidified through promoter conversations. This is the main reason that promoters do not bring these acts and shows to the Reno market currently; there is not a venue of the size and quality to support the types of events, nor the revenue potential to be attractive to the types of artists and talent that the new Arena would be able to secure.

The treatment of growth rates varies. Hunden presents estimates that count for an increase of CPI each year to reflect the real-world economic context and to make the figures more relatable. Once the growth is factored in, the gap between the two sets of projections narrows significantly.

A major factor driving the difference is off-site visitor spending. Off-site spending is a critical part of total economic impact, particularly in tourism-driven markets like Reno. It is unclear whether Mr. Wells includes this vital category in his analysis. If he does, the estimate appears to be extremely conservative.

Event	# of Events	Avg. Attendance	Intentional Overnight	Intentional Day Only	All others	New to Reno?
UNR Men's Basketball	17	7,786	2%	10%	88%	No
Minor League Hockey	39	4,449	1%	10%	89%	Yes
Major Concert	5	9,000	30%	20%	50%	Yes
Minor Concert	7	7,500	20%	13%	67%	4 of 7
Family Show	6	6,500	2%	10%	88%	3 of 6
Sporting Event	6	5,000	1%	10%	89%	3 of 6
Rentals/Banquets	15	5,000	0%	0%	100%	No

Source: "Economic Analysis of Proposed GSR Arena and Additional Amenities" by Dave Wells

To illustrate this point using Mr. Wells's own framework and assumptions, Hunden calculated the NET NEW overnight visitors generated by the arena. As shown in the table above, Mr. Wells references events like minor concerts, major concerts, and others that yield several intentional overnight visitors. For example:

- Minor Concerts: 4 events × 7,500 average attendance × 20% overnight = 6,000 overnight visitors

Based on Mr. Wells's assumptions, the sum of net new overnight visitors totals approximately 21,775 per year. According to the 2024 Reno Tahoe visitor survey, an independent study by Future Partners, which is advertised on the Reno-Sparks Convention & Visitors Authority and cited and used in Mr. Wells's report, the average visitor to the Reno-Tahoe area spends approximately \$273 per day, per person. The report also indicates that the average person stays 3.2 nights while visiting. Applying this figure:

- 21,775 intentional overnight visitors × \$273 of spending × 3.2 nights = \$19.0 million

The figure on intentional overnight visitors represents only a fraction of the total impact, yet even this single component surpasses Mr. Wells's total annual economic impact estimate of \$13.9 million. And again, this calculation is based on his assumptions.

While Hunden's spending assumptions are more conservative than the data from the 2024 Reno Tahoe visitor survey, this exercise demonstrates that even when using Mr. Wells's own inputs, the economic impact of the arena is likely significantly understated in his report.

Mr. Wells's Claim/Statement: *"Only 27% of the concerts and other events (outside UNR men's basketball and a minor league hockey team) are estimated to generate economic activity that does not displace existing entertainment attractions in Reno."*

Hunden sees no primary research to support Mr. Wells's claim. This is a common mistake by critics of independent studies who are not knowledgeable in the real-world workings of event promotion, touring/booking, and how shows/artists and their promoter determine where to play. The report conducted by Mr. Wells references case studies from markets that differ significantly from Reno in terms of size and regional accessibility, leading to conclusions about event impact and programming that are not applicable or supportable for this Project.

Hunden interviewed top national promoters, including Feld and Live Nation, specifically for the Reno market who confirmed that the new arena of this size would unlock events that currently skip Reno. One promoter estimated up to 10 net new events per year from their group would route through Reno with a new venue. Note, this is in addition to the regular interaction and relationships Hunden maintains with show promoters, venue managers, and industry insiders across the country. Additionally, the Reno Events Center and the proposed arena serve different functions. The Events Center is a flexible, flat-floor, mid-sized venue, while the new arena, complete with an ice plant, offers a larger, modern setup with the technical capabilities needed to attract top-tier tours and sports programming. As a result, the arena is expected to complement, not cannibalize, Reno's existing entertainment venues. The new arena will be additive to the market and any displacement will be immaterial.

Mr. Wells's Claim/Statement: *"Like the former Reno Bighorns, minor league sports have a very limited economic impact."*

Mr. Wells asserts that "minor league sports have a very limited economic impact," citing the former Reno Bighorns as precedent. While Hunden agrees that minor league franchises do not drive regional tourism to the same degree as major concerts or collegiate athletics, this view overlooks the tangible local impact such teams generate. Each minor league hockey team typically includes more than 30 players and approximately 25 support staff, many of whom may relocate to the host city, secure housing, and contribute to the local economy through everyday spending. These individuals support demand for housing, dining, transportation, and retail,

creating year-round benefits that supplement event-day activity. While minor league teams may not be the primary economic catalyst, they provide reliable and recurring value that supports the broader ecosystem surrounding the arena.

It should be noted that the Reno Bighorns relocated to Stockton, California, to be closer to their owners, the Sacramento Kings. This is normal within the minor league sports industry, to locate near your affiliate club to help with scouting, player development, monitor training and rehab, and reduce expenses between the "big" club and the minor affiliate.

Mr. Wells's Claim/Statement: *"University of Reno Men's Basketball already occurs in Reno—so does not represent new activity in the city. The movement to a new arena though will displace activity away from other parts of Reno and toward Grand Sierra Resort (GSR)."*

Mr. Wells claims that relocating the University of Nevada, Reno men's basketball team to the new arena at Grand Sierra Resort (GSR) would simply shift activity within the city rather than generate new impact. However, this viewpoint overlooks critical elements that significantly enhance Reno's economic output.

New and Incremental Visitors: A modern arena at GSR will attract more out-of-town visitors who would not have come to Reno otherwise. The upgraded venue, paired with GSR's resort amenities, creates a more compelling destination for alumni, opposing team fans, and basketball enthusiasts throughout the region. These visitors contribute new spending on lodging, dining, and entertainment that would not otherwise occur at the existing campus facility.

- **Higher Per Visitor Spending:** The current venue does not offer premium seating, club areas, or a diverse range of food & beverage options. The new arena will allow for elevated pricing and experiences that result in significantly higher per capita spending. Visitors will spend more not just on tickets, but on premium concessions, merchandise, and other amenities throughout the resort property.
- **Expanded Economic Reach:** This is not just a relocation. It is a transformation of the game-day experience. Events at GSR will drive longer stays, encourage broader use of resort amenities, and generate additional tourism activity that benefits the Reno economy, as a whole. While some activity may shift locations, the total amount of economic activity will grow.

Mr. Wells's Claim/Statement: *"The primary beneficiary of the project is its host. GSR is estimated to capture two-thirds of new direct economic impact associated with the arena."*

While it is true that GSR will benefit from this development, it is equally important to recognize that they are also the party assuming the full financial risk. This is a privately funded project

totaling more than \$750 million, which includes ALL upfront capital investment, long-term operating commitments, and continuous exposure to market volatility.

Even Mr. Wells would have to agree that if a private entity, GSR, is willing to invest at this scale and bring new infrastructure, visitors, and recurring events to Reno, it is reasonable that they share in the benefits generated. Public-private partnerships thrive when the private sector is incentivized to drive public outcomes, which is exactly what this Project represents.

Mr. Wells's Claim/Statement: *"All other aspects of the project will have minimal impact on new tourism, but will primarily work to drive tourist activity toward the GSR. For instance, Aqua Golf generated business is likely to create nearly five times the impact on the GSR than it does for the Reno economy, due to primarily displacing economic activity from other parts of the city."*

Mr. Wells's claim overlooks the fact that there is currently nothing comparable to Aqua Golf in the Reno market. Modeled after successful TopGolf-style venues, Aqua Golf is a unique attraction that blends entertainment, recreation, and social activity — offering an experience that does not exist elsewhere in the Reno market.

The projected jump from 18,000 to more than 350,000 annual visits is not the result of shifting demand, but rather the creation of new demand driven by improved offerings. Instead of taking business away from other attractions, Aqua Golf adds a new reason for visitors to choose Reno in the first place or extend their stay.

Mr. Wells's Claim/Statement: *"Phase 1 provides at least a Year 3 development yield of 5.6% and a Year 10 development yield of 6.8%. These returns provide a sufficient premium over market cap rates to justify the project without a tax increment subsidy."*

Mr. Wells completely misapplies or does not understand the concept of cap rates by comparing a ground-up arena development to stabilized real estate assets. Arenas are not traditional commercial properties. They come with significantly higher risk, require intensive and professional operational management, and have no true resale or liquid market. Using a 1- to 4-percent "benchmark" cap rate pulled from generic real estate tables is not just flawed, it does not pass the "common sense test".

Even more concerning, Mr. Wells suggests that a 4.2-percent yield would be acceptable for this Project. For context, the current 10-year U.S. Treasury yield is approximately 4.5 percent. Mr. Wells's logic states that building and operating a 10,000-seat arena in Reno is equal to purchasing a bond backed by the U.S. government. If that were even remotely true, institutional investors would be lining up to develop arenas nationwide. Mr. Wells's logic does not reflect reality within the industry or standard investment criteria.

Mr. Wells's Claim/Statement: *"The project will create about 70 FTE jobs on-site and 100 FTE jobs in Reno overall. These jobs will include a significant portion of part-time positions and pay less than the median wage in Reno."*

While some roles will be entry level, they are important for workforce access, especially for students and those seeking flexible schedules. Rarely is any positive job increase criticized. There may be a difference in the actual job estimated, but NET NEW jobs are always considered a positive addition.

As of March 2025, the unemployment rate in the Reno-Sparks metro area is 4.7 percent, meaning there is still a need for new job opportunities. This Project will create direct employment but also supports indirect jobs through increased spending at local businesses such as restaurants, hotels, and retail. These ripple effects strengthen the local economy well beyond the initial job count.



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Reno Arena Proposal Review

Reno, Nevada

February 2025

Introduction

Hunden Partners (“Hunden”) was engaged by the City of Reno Redevelopment Agency (“Client” or “City”) to provide an independent review of a development proposal by Meruelo Gaming (“Developer”) for a new sports and entertainment district in Reno, Nevada.

ASSUMPTIONS AND CONDITIONS

This report has been prepared under the following general assumptions and limiting conditions:

- The findings presented herein reflect analysis of primary and secondary sources of information assumed to be correct. Hunden utilized sources deemed to be reliable but cannot guarantee accuracy.
- No responsibility is taken for changes in market conditions after the date of this report and no obligation is assumed to revise this report to reflect events or conditions occurring thereafter.
- Hunden has no control over construction costs or timing of construction and opening.
- Macroeconomic events affecting events, travel, and the economy cannot be predicted and may impact the development and performance of the venues, real estate, and overall organization.

We have enjoyed serving you on this engagement and look forward to providing you with continuing service.

Sincerely yours,

Hunden Partners

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Executive Summary

hunden partners



Project Overview

The City of Reno Redevelopment Agency (Agency or Client) retained Hunden Partners (Hunden) to conduct an independent review of a development proposal by Meruelo Gaming (Developer) for a new sports and entertainment district anchored by a multipurpose indoor arena at the existing Grand Sierra Resort (GSR), called the Reno Arena Project. The study also analyzes the developer's request for the RDA 2 to be extended by 20 years. **This analysis assumes that the project is contingent on the extension of the RDA.**

Hunden's study will focus on the following key tasks:

- Assess market conditions of proposed program uses and identify any additional asset types with potential for significant financial and economic impact
- Formulate implications and provide market-based recommendations for the proposed program
- Develop demand and financial models to project new jobs, spending, and tax revenues generated by the Project

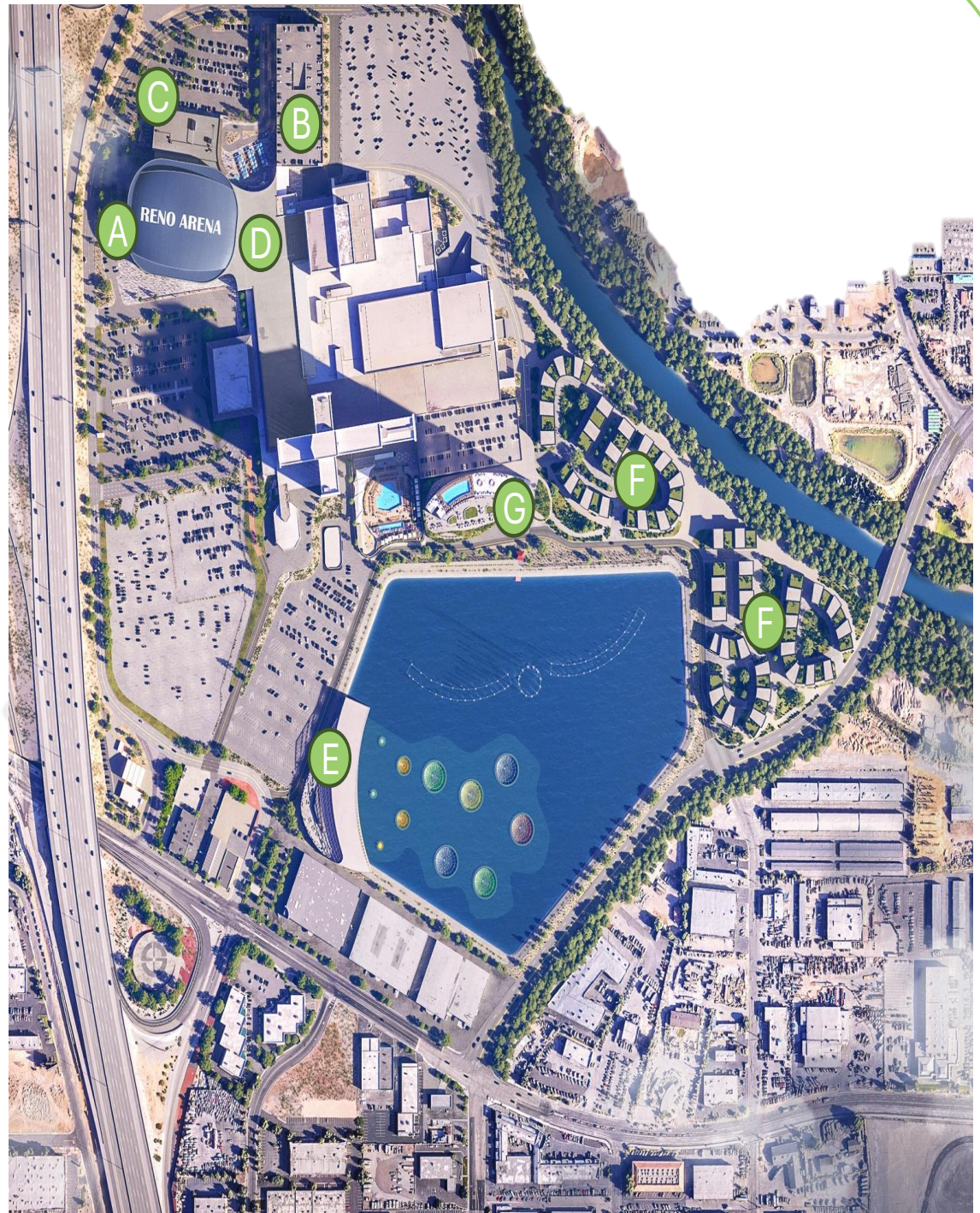


Reno Arena Project

Proposed Program

The Developer is proposing the following elements as part of the Reno Arena Project adjacent to the GSR. Costs for the development are expected to total approximately \$1 billion over the next 10 years:

- A. 10,000-seat arena
- B. 2,400-space parking garage
- C. 50,000-SF community ice facility
- D. 24,300-SF retail
- E. High-tech aqua golf driving range
- F. 300 Apartments
- G. Potential 500-room hotel

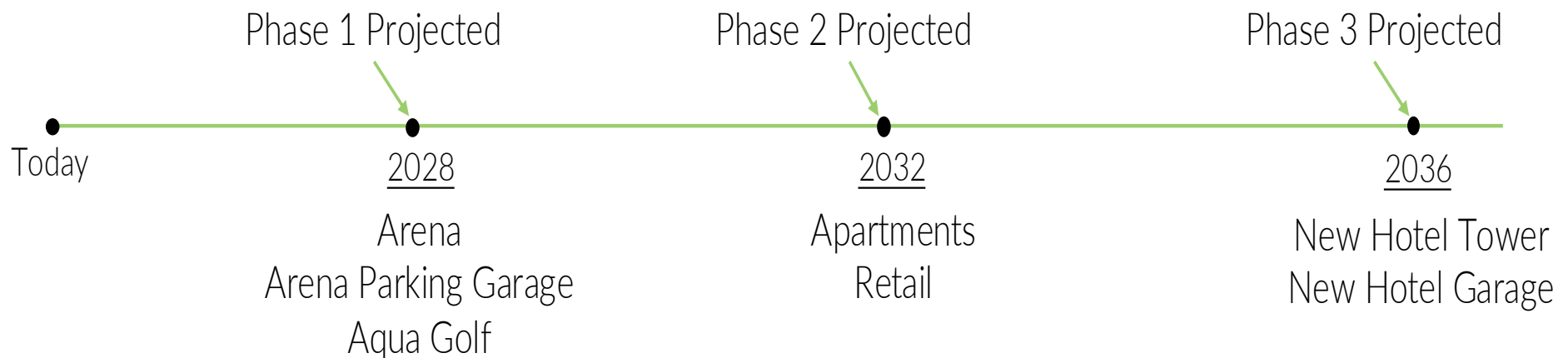


Development Timeline

The Project is structured into three phases, with projected completion in 2028, 2032, and 2036, respectively. The first phase involved the construction of a 10,000-seat arena, a parking garage, and aqua golf facilities. The second phase is set to develop 300 units of housing, with 150 units dedicated to workforce housing and 150 units for market-rate housing, along with 23,400 square feet of retail space. The concluding phase will feature the addition of a new 500-key hotel tower and its associated hotel garage. The total construction cost for all phases is estimated to exceed \$1 billion.



Total Construction Cost:
\$1 Billion



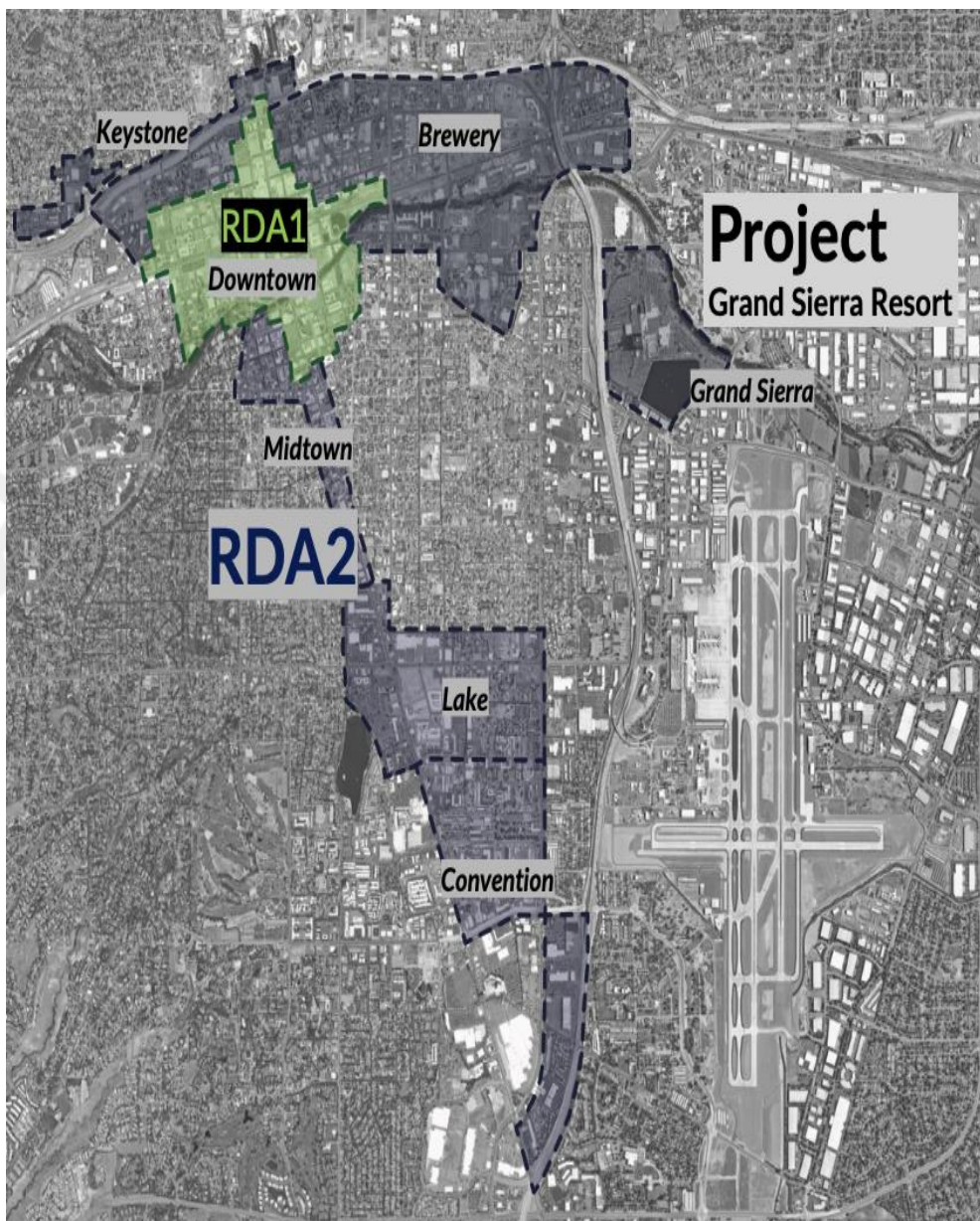
RDA Program

The Developer is applying for a City redevelopment program that offers TIF incentives through the establishment of a Redevelopment Area (RDA). Reno currently has two active RDA zones, as shown in the adjacent figure.

RDA incentives are limited to property taxes and do not extend to other tax revenue streams.

In the year that RDAs are designated, a property tax baseline is set, and any additional tax revenue above that baseline can be recaptured for development repurposes. In this case, the Developer is requesting a repayment on the general fund portion of the NEW property tax over a 30-year period ending in 2055, as opposed to the current 10-year sunset period.

Funding Stream for Project Costs:	Reno	Developer
Onsite Sales Tax	Not Used	
Commercial Lease Tax	Not Used	
Hotel Bed Tax	Not Used	
Property Taxes		Incremental Only
Additional Surcharges on Goods in District	Not Used	
Issuing Bonds?	Not Used	



Arena Market Headlines

Hunden's key takeaways from the arena market are as follows:

Project Potential: Several venues within the proposed arena's capacity exist locally, yet its quality and affiliation with GSR will position it as the premier mid-sized venue in the market.

Entertainment Market Challenges: Reno's proximity to Sacramento poses a key challenge for attracting concerts and shows. Today touring acts typically perform in only one of the two cities, but with a new venue this may change.

Tenant Advantages: The University of Nevada, Reno basketball team and a potential minor league team as tenants present an opportunity that would significantly enhance the Project's financial viability, increasing event volume and appeal to potential sponsors and partners.

Local Venue Statistics (3,000 – 20,000 Capacity, Within 150 Miles)



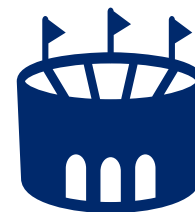
Event Demand

Avg. Events per
Venue 27



Ticket Prices

Avg. Ticket Price
\$74.60



Attendance

Avg. Event Capacity 5,836
Avg. Event Attendance 4,752

Mixed-Use Market Headlines



Retail

Vacancy: 1.7%

Rental Rate: \$16.73 PSF

Construction Pipeline: 0 SF

Low vacancy levels due to stagnant development pipeline

Feasibility of new developments challenged by limited rent growth and construction costs

Project site benefits from prime highway frontage, built-in customer base with casino and related activity, and proximity to downtown, providing strong retail potential for the Project



Hotel

Occupancy: 64.2%

ADR: \$188

Construction Pipeline: 260 Rooms

Substantial supply of economy and Midscale properties, with an emerging pipeline of higher-scale developments

Strong annual rise in ADRs, though occupancy levels are constrained by low off-season demand

Properties operating independent of casinos exhibit stronger performance with higher ADR and occupancy levels

Mixed-Use Market Headlines



Multifamily

Vacancy: 4.6%

Rental Rate: \$1,610

Construction Pipeline: 0 Units

**Indicators based on properties in Reno with 80 or more units built before 2021*

Growing asset class in Reno; robust construction pipeline and consistent positive annual absorption

Greater demand for lower-rent units; 4- & 5-Star properties exhibiting significantly higher vacancies

Local submarket outperforms downtown core; vacancies for new developments expected to decline as population growth increases and construction activity slows



Office

Occupancy: 12.4%

Rental Rate: \$21.02 PSF

Construction Pipeline: 0 SF

Sparks submarket challenged with high negative absorption and elevated vacancy rates

Downtown exhibits stronger demand and more favorable rental metrics

Project site is not a prime location for office space, and upcoming construction pipeline in nearby downtown submarket may lead to oversupply challenges

Market Implications for Proposed Programming

Hunden's assessment of the market conditions for the proposed arena and traditional mixed-use asset types in the proposed program is summarized below:

					
	Arena	Retail	Hotel	Multifamily	Office
What is the Proposed Use and Size?	Proposed Program 10,000 Seats	Proposed Program 24,300 SF	Proposed Program 500-Room Hotel	Proposed Program 300 Units	Proposed Program --
Does the Market Analysis Validate the Proposed Use and Size?	Market-Validated? 	Market-Validated? 	Market-Validated? 	Market-Validated? 	Market-Validated? 
What are the Implications?	A 10,000-capacity arena is recommended for concerts; meets projected concert and tenant attendance figures	There is strong retail potential on the Project site, with a recommended focus on restaurant-oriented tenants to build on established presence	Recent developments have room counts in the low hundreds, however, proven performance at the existing property provides a competitive advantage	Avoid larger footprint; past developments delivering 300+ units have led to significant spikes in vacancy with difficulty stabilizing	Not a prime location; significant lack of demand for office space in Reno

Nationwide University Arena Structures

Funding Overview

	Case Studies				Project	Existing Arena
University Tenant	University of Louisville	University of Evansville	University of Nebraska	University of Texas at Austin	University of Nevada, Reno	University of Nevada, Reno
Arena Name (Year Built)	KFC Yum! Center (2010)	Ford Center (2011)	Pinnacle Bank Arena (2013)	Moody Center (2022)	Reno Arena (TBD)	Lawlor Events Center (1983)
Basketball Capacity	22,000	11,000	16,000	10,750	10,000+	12,000
Landlord	Louisville Arena Authority	City of Evansville	City of Lincoln	Austin Arena Company, LLC (OVG & UT)	Grand Sierra Resort	University of Nevada, Reno
Construction Cost	\$238 M	\$128 M	\$236 M	\$338 M	\$380 M	\$26 M
Main Funding Source	Public	Public	Public	Private	Private	Public
Bonds Issued	YES	YES	YES	NO	NO	YES
Off-site Taxes Used?	YES	YES	YES	NO	NO	YES
New Taxes Created?	NO	NO	YES	NO	NO	NO

Nevada Stadium/Arena Structures

Funding Overview

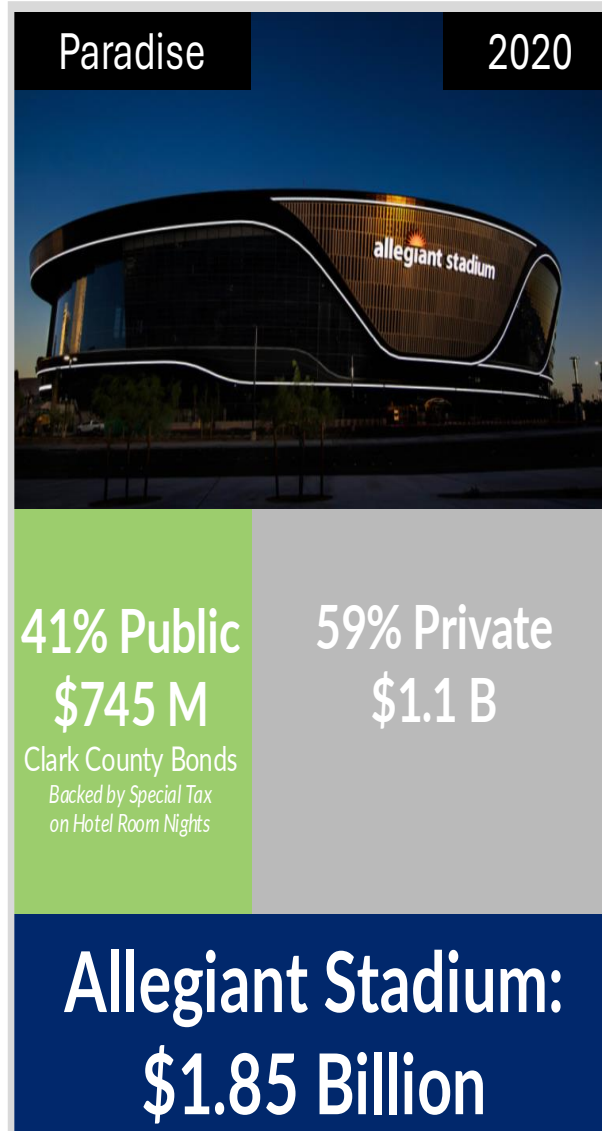
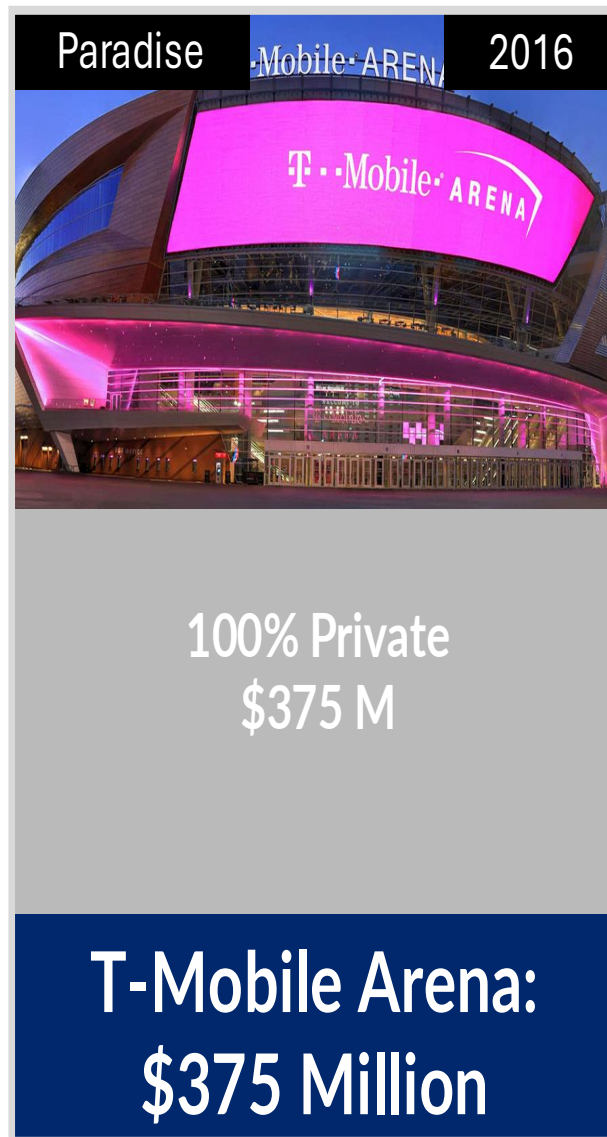
	Other Nevada Facilities						Project	Existing Arena
Arena Name	Allegiant Stadium	Future A's Stadium*	T-Mobile Arena	Lee's Family Forum	Thomas & Mack Center	Cox Pavilion	University of Nevada, Reno	University of Nevada, Reno
League (Year Built)	NFL (2020)	MLB (2028)	NHL (2016)	AHL (2022)	NCAA (1983)	NCAA (2001)	NCAA/ Minor (TBD)	Lawlor Events Center (1983)
Construction Cost	\$1.85 B	\$1.5 B	\$375 M	\$84 M	\$30 M	\$16.8 M	\$380 M	\$26 M
% Private Funding	59%	75%	100%	50%	0%	100%	100%	0%
% Public Funding	41%	25%	0%	50%	100%	0%	0%	100%
Bonds Issued?	YES	LIKELY	NO	YES	NO	NO	NO	NO
Offsite Taxes Used?	YES	LIKELY	NO	YES	YES	NO	NO	YES

Key Takeaway: Compared to stadium/arena projects that were recently delivered in Nevada, the proposed Project would be the most privately funded in the state at this scale.

*Proposed deal structure as of December 2024, financing and development agreement was approved by the Las Vegas Stadium Authority Board

How Other Venues Were Funded in Nevada

Professional



How Other Venues Were Funded in Nevada

Semi-Professional or Collegiate

Henderson

2022



50% Public
\$42 M
Clark County Bonds
*Backed by Special Tax
on Hotel Room Nights*

50% Private
\$42 M

Lee's Family Forum:
\$84 Million

Las Vegas

1983



100% Public
\$30 M
State Slot Taxes

Thomas & Mack Ctr:
\$30 Million

Las Vegas

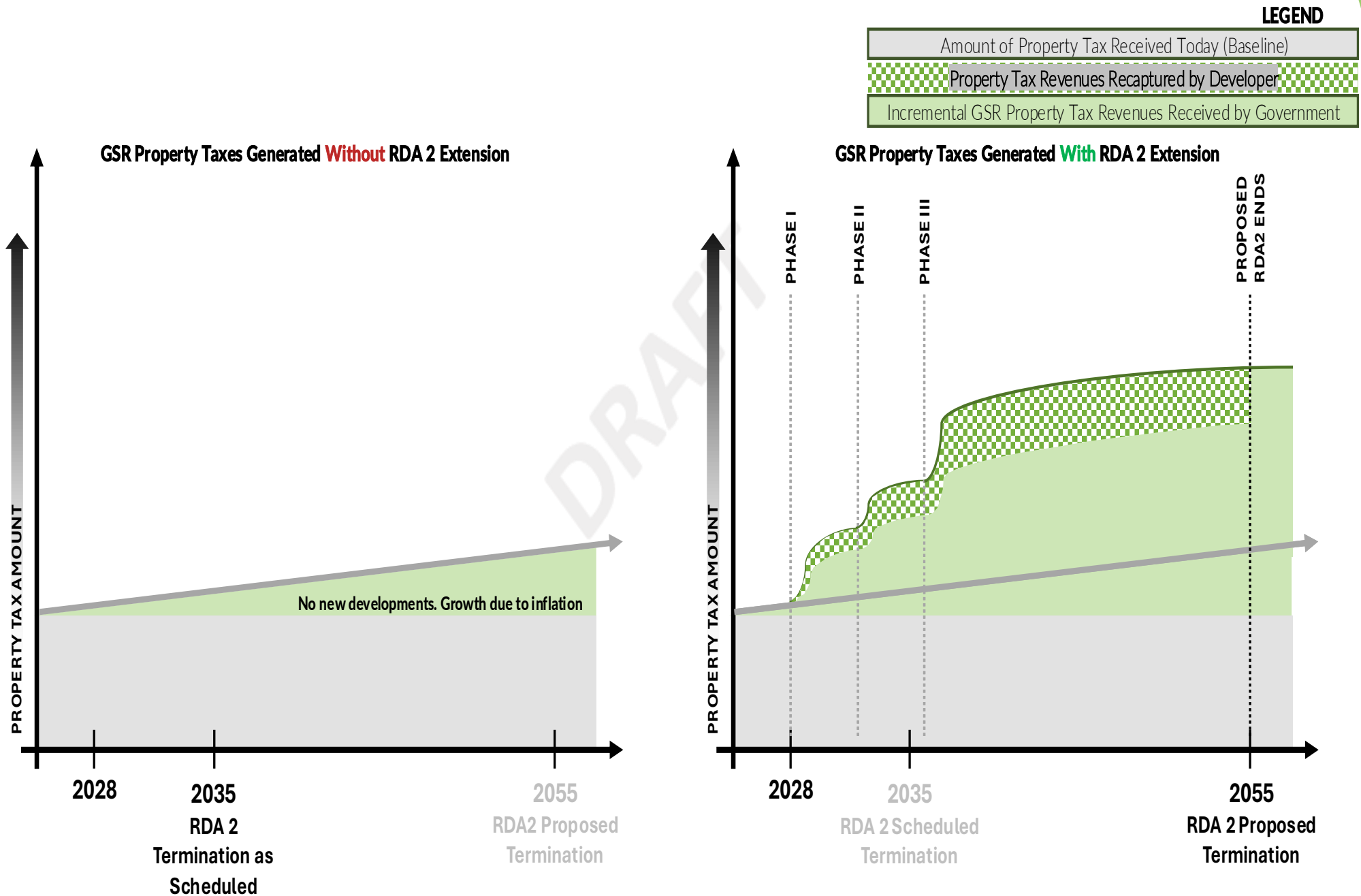
2001



100% Private
\$16.8 M
Donor Sponsorship and
Institutional Debt

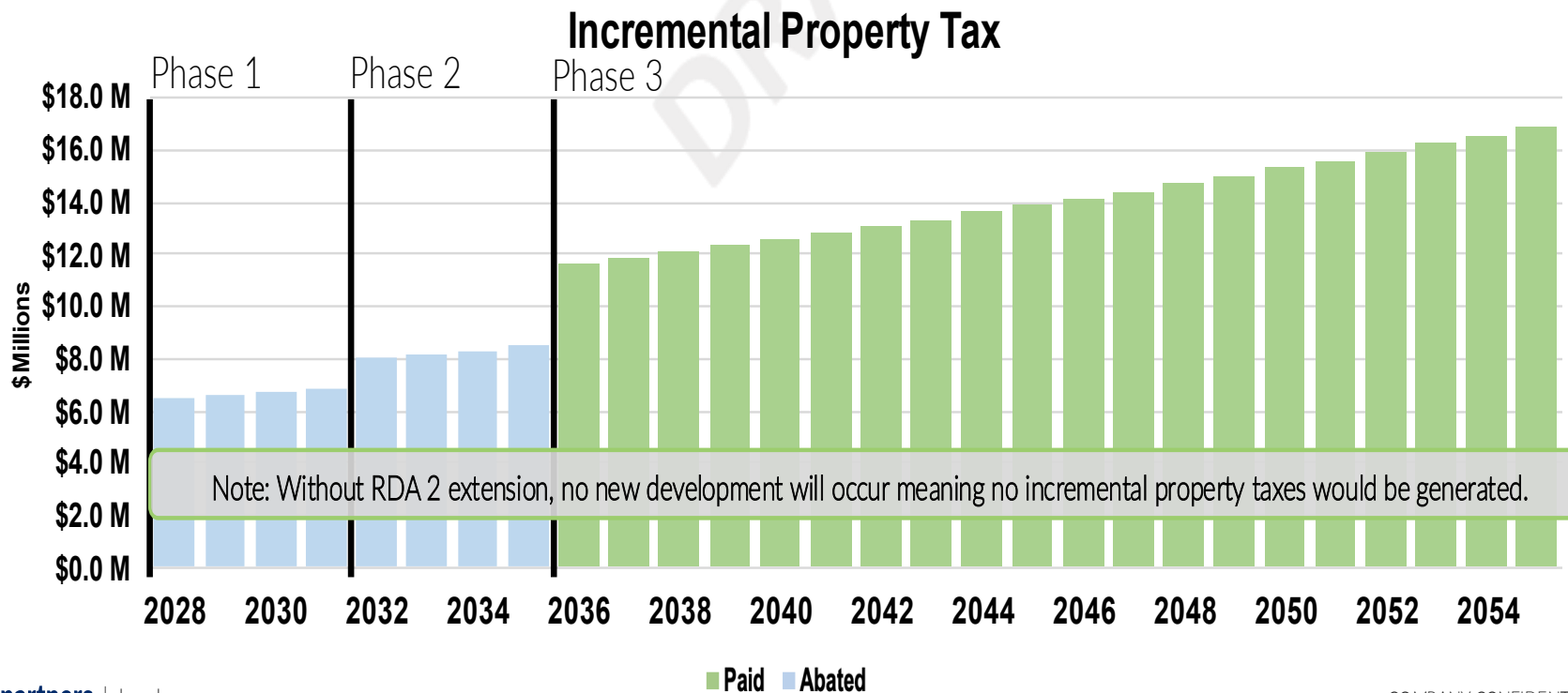
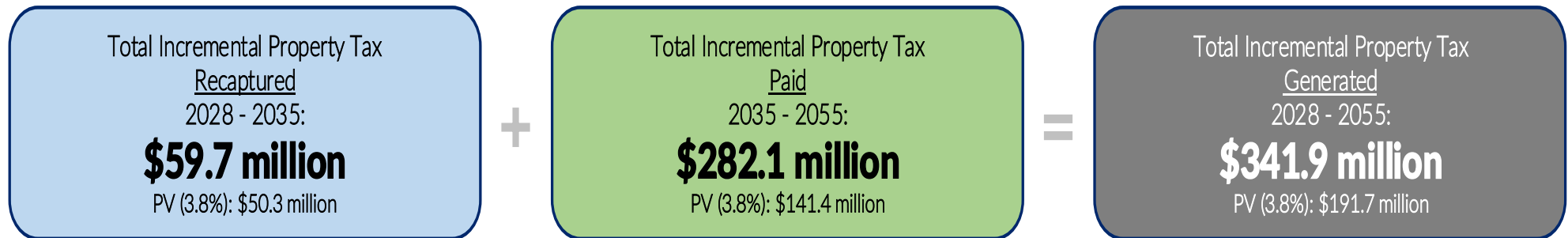
Cox Pavilion:
\$16.8 Million

Impact of RDA 2 Extension



Current RDA Structure Returns Without Extension

The RDA 2 is currently set to end in 2035, if no extension is approved by the legislature. The Developer is entitled to receive 100 percent of the incremental property tax in this time frame. This equates to \$59.7 million in total recaptured dollars. However, the City of Reno would only receive 26 percent of the future property tax revenues, which would be only \$73 million of the total \$282 million paid.



Break Down of Requested RDA Structure

- Overview of Current RDA Structure

- The current RDA structure allows the Developer to recapture 100% of incremental property taxes through 2035. This policy has been instrumental in fostering initial phases of development and incentivizing private investment in Reno.

- Requested Changes to the RDA Structure

- **Extension Period:** The Developer has requested a 20-year extension to the RDA, pushing the expiration through 2055.
- **Key Adjustment:** Under the new structure, the Developer would recapture the Reno Fund portion of incremental property taxes, which accounts for 26 percent of the total incremental property taxes. The Developer would pay, and the government would receive the other 74 percent of the paid property tax.
- **Important Note:** Neither the current nor the proposed RDA requires the city to create bonds.

- Projected Economic Impacts

- **Short-Term Gains:** Increased construction activity and job creation during the build-out of new phases.
- **Long-Term Gains:** Increased local spending and taxes generated locally from new visitors and activity.
- **Future Gains:** Once the RDA ends, Reno can capture the full amount of the incremental property tax revenues of these developments.



FAQ

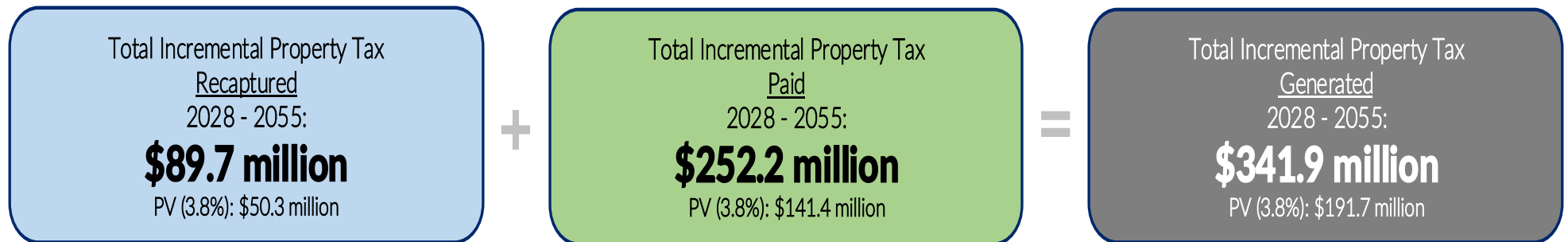
How much will Reno pay the Developer?
Reno will **NOT** pay the Developer any direct funds. Instead, the Developer benefits by recapturing a portion of the incremental property taxes that are created because of the Project's new construction.

What happens if the Developer does not build out the other phases?
The Developer will not receive any benefit because there would be no increase (increment) in property taxes without the new development.

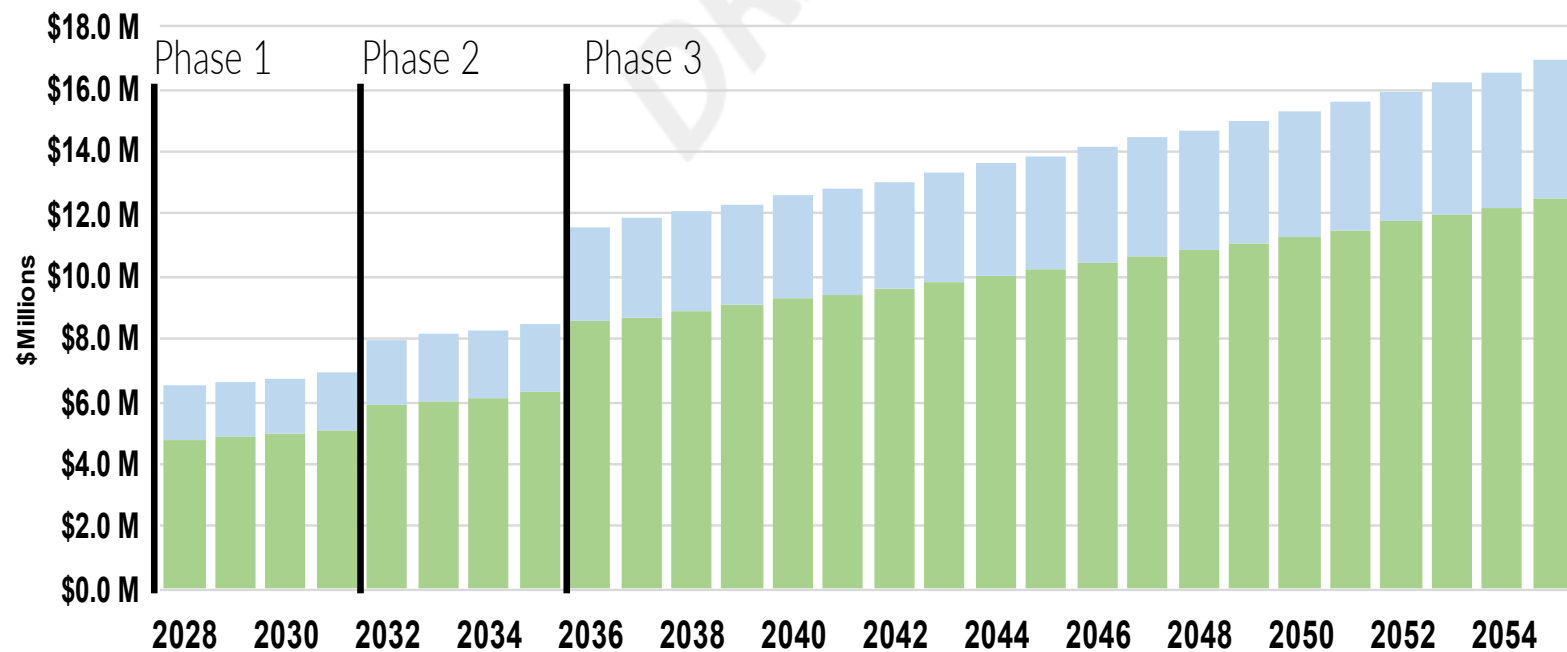
Why is Reno considering this structure?
The extension and adjustment aim to ensure the project's financial feasibility, attract further private investment, and create long-term economic benefits for Reno.

Requested RDA Structure Returns

If the RDA is extended to 2055 and the Developer only receives the General Fund portion, which accounts for approximately 26 percent of the total incremental property tax, the total recaptured amount would total \$89.7 million. While this is significantly higher, when you look at the present value (3%) of the longer repayment period, it is only \$4.2 million higher than the 2035 repayment timeline (\$56.3 million vs \$52.1 million).

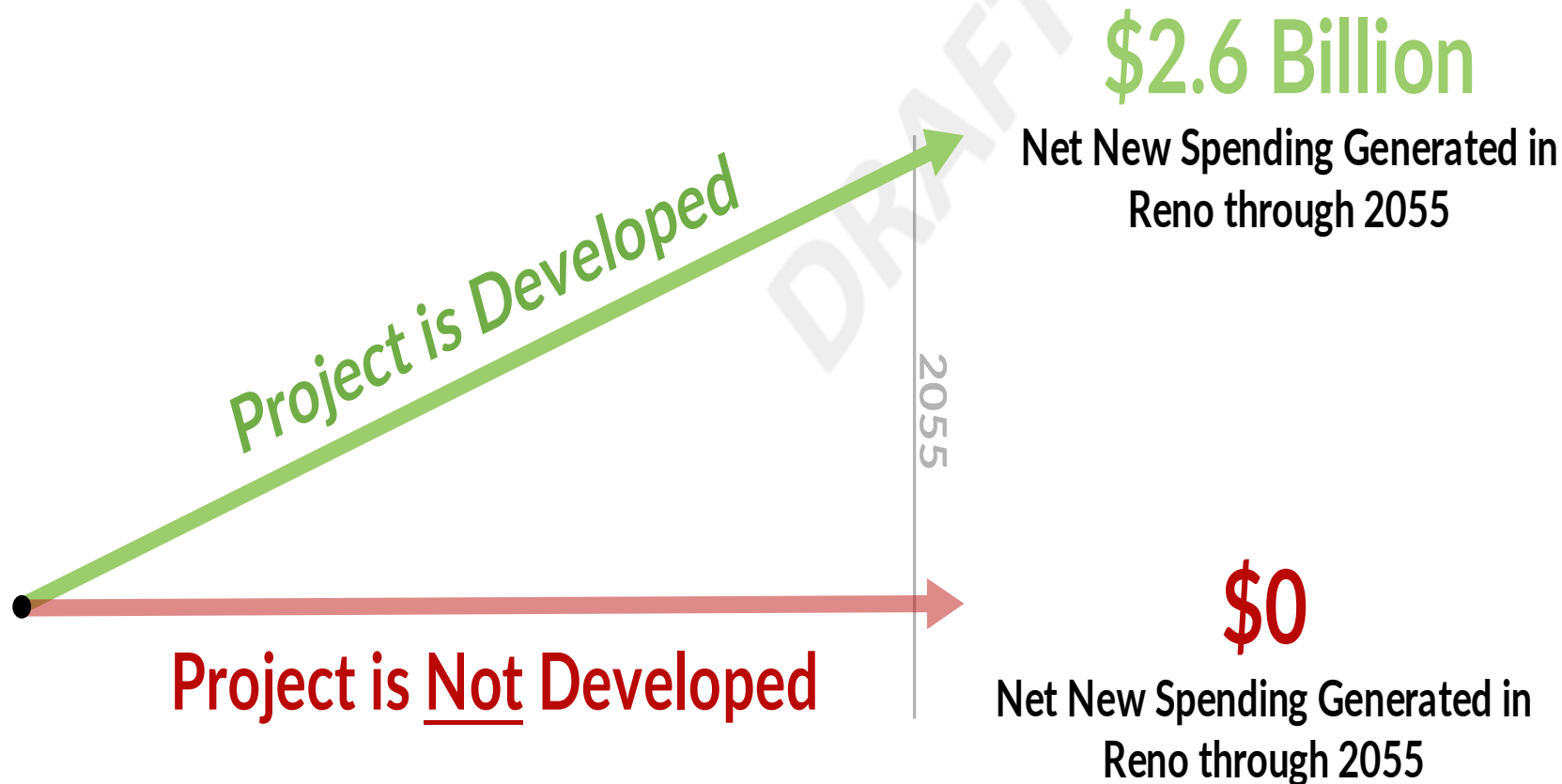


Incremental Property Tax



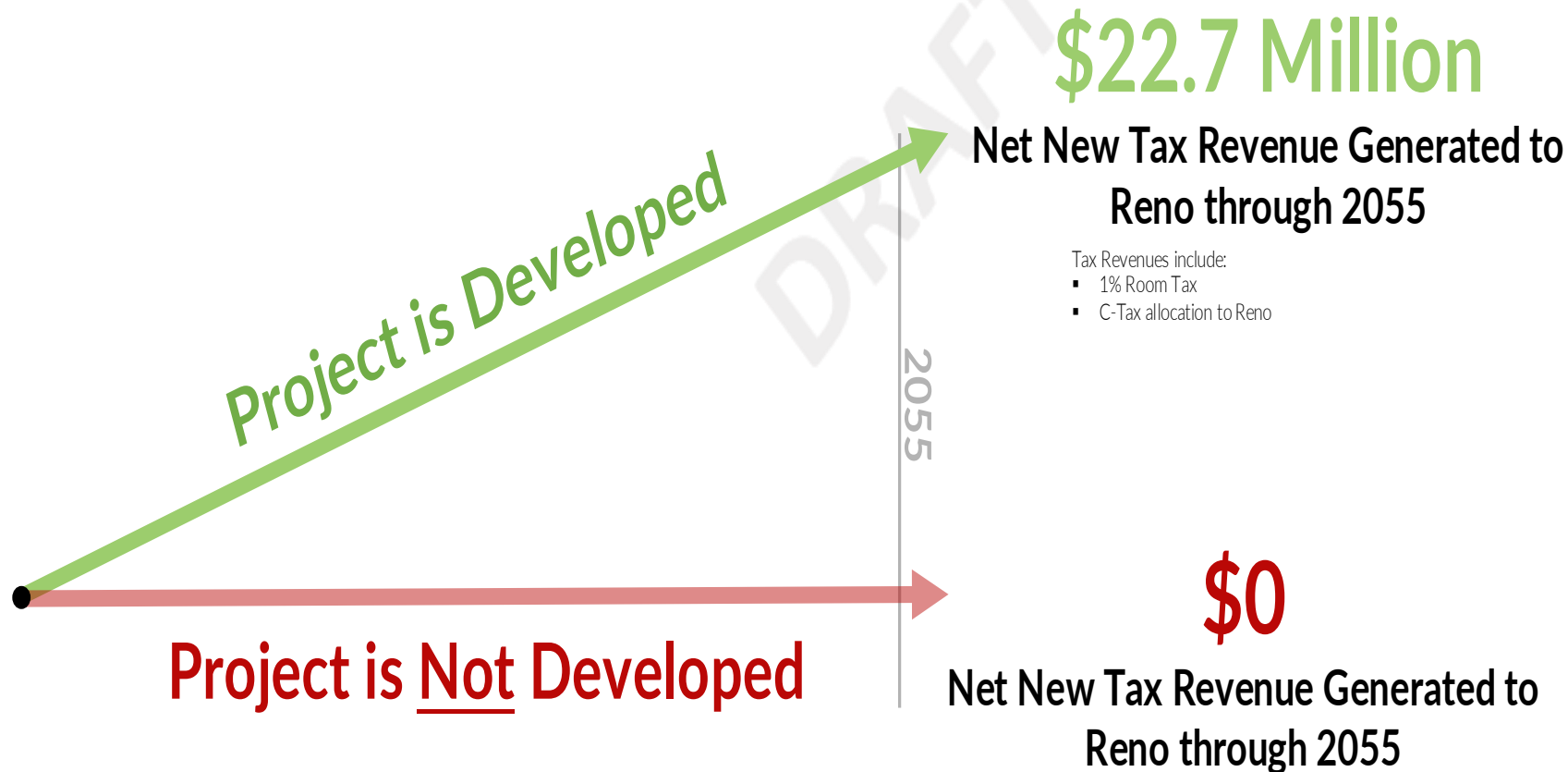
New Direct Spending in Reno due to the Project

The chart highlights the projected net new direct spending in Reno through 2055. It compares two scenarios. In the first, the project proceeds under the proposed RDA, generating \$2.6 billion in new spending. In the second, the RDA is not approved, which results in no new spending.



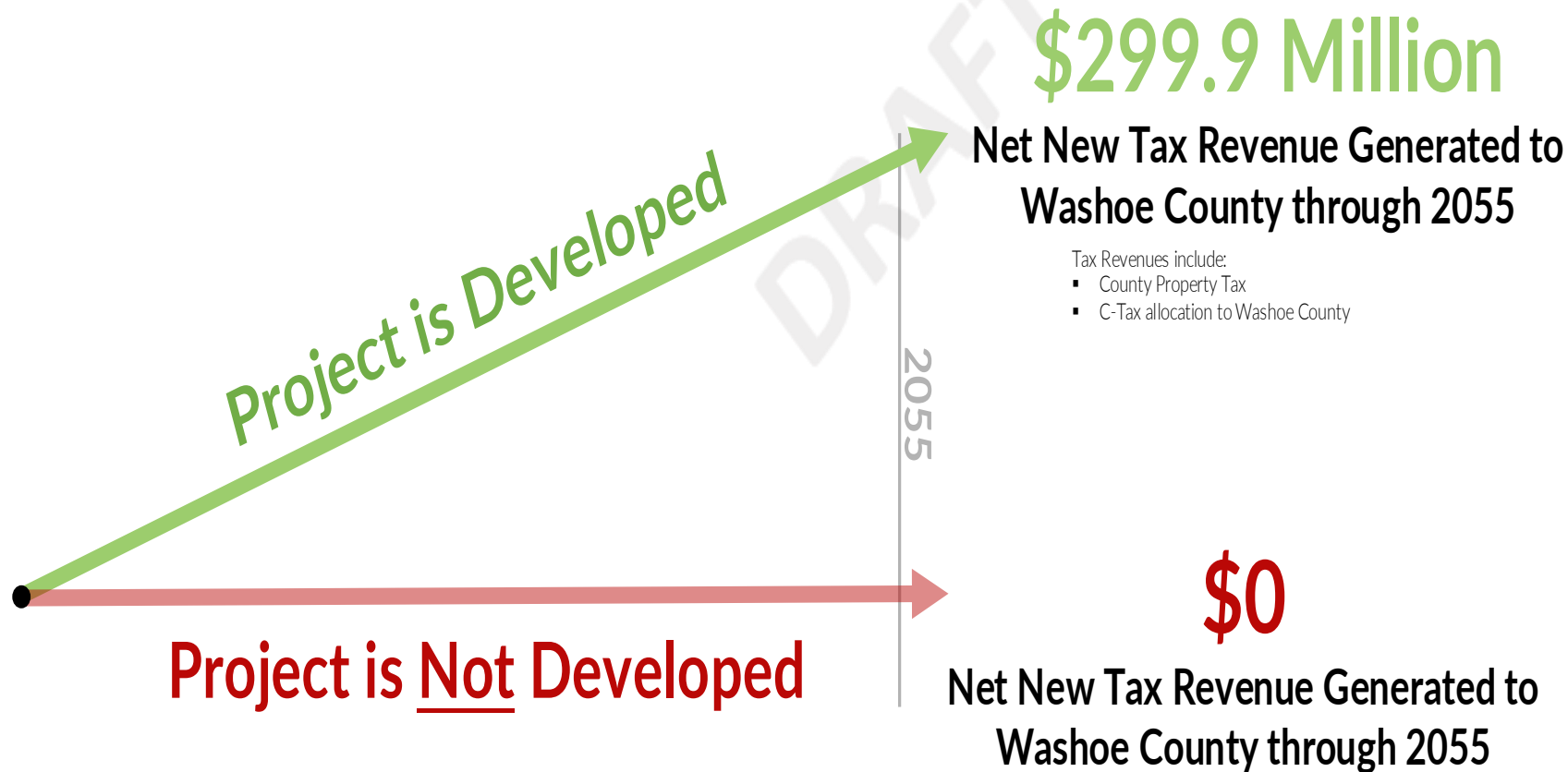
New Tax Revenues to Reno with Proposed RDA

The graph below details the total fiscal impact to Reno through 2055 if the development occurs under the proposed RDA compared to if the RDA is not approved and the project is not developed. Since Reno would be repaying their portion of property tax, the revenue realized to the city would only come from its portion of C-Tax and Room tax.



New Tax Revenues to Washoe County with Proposed RDA

The graph below details the total fiscal impact to Washoe County through 2055 if the development occurs under the proposed RDA compared to if the RDA is not approved and the project is not developed. Washoe County would see a greater impact due to not repaying its property tax portion.



Arena Assumptions and Pro Forma

The main component of the Project is the 10,000-seat arena that will be the home venue for the UNR Men's Basketball Team and a potential minor league team. Once fully stabilized, the arena is expected to host approximately 95 events per year, with an annual attendance exceeding 550,000 people.

Event	# of Events	Avg. Attendance	Avg. Ticket Price/Rental Rate
UNR Basketball	17	7,786	\$41.50
Minor League Hockey	39	4,449	\$34.56
Major Concert	5	9,000	\$89.17
Minor Concert	7	7,500	\$66.88
Family Show	6	6,500	\$44.58
Sporting Event	6	5,000	\$25.00
Rentals/Banquets	15	5,000	\$35,000 (rental)
Total/Average	95	5,761	\$49.32

Stabilized Annual Attendance: **553,900**

Reno Arena Proforma Building (\$000s)	2028 Year 1	2029 Year 2	2030 Year 3	2031 Year 4	2032 Year 5	2037 Year 10
Cash Flows from Tenant Operations						
(+) Premium	\$ 9,251	\$ 9,619	\$ 9,935	\$ 10,243	\$ 10,550	\$ 12,231
(+) Ticket Sales	\$ 5,997	\$ 6,176	\$ 6,362	\$ 6,553	\$ 6,749	\$ 7,824
(+) Facility Fee and Rebate	\$ 1,388	\$ 1,388	\$ 1,388	\$ 1,388	\$ 1,388	\$ 1,388
(+) Concessions, Net	\$ 2,447	\$ 2,520	\$ 2,596	\$ 2,674	\$ 2,754	\$ 3,193
(+) Merch, Net	\$ 512	\$ 528	\$ 544	\$ 560	\$ 577	\$ 668
(+) Parking, Net	\$ 574	\$ 591	\$ 608	\$ 627	\$ 645	\$ 748
(+) Sponsorship	\$ 6,071	\$ 6,222	\$ 6,378	\$ 6,537	\$ 6,701	\$ 7,581
(+) Arena Rent	\$ 1,000	\$ 1,030	\$ 1,061	\$ 1,093	\$ 1,126	\$ 1,305
Revenues via Tenant	\$ 27,239	\$ 28,075	\$ 28,872	\$ 29,674	\$ 30,490	\$ 34,938
Cash Flows from Concerts/Other Events						
(+) Ticket Sales	\$ 5,571	\$ 8,453	\$ 10,622	\$ 11,258	\$ 11,595	\$ 13,442
(+) Rent	\$ 420	\$ 525	\$ 525	\$ 525	\$ 525	\$ 525
(-) Promoter Rebate	\$ 382	\$ 570	\$ 666	\$ 692	\$ 692	\$ 692
(+) Facility Fee	\$ 382	\$ 570	\$ 666	\$ 692	\$ 692	\$ 692
(+) Concessions, Net	\$ 1,244	\$ 1,792	\$ 2,050	\$ 2,168	\$ 2,233	\$ 2,589
(+) Merch, Net	\$ 260	\$ 375	\$ 429	\$ 454	\$ 468	\$ 542
(+) Parking, Net	\$ 292	\$ 408	\$ 453	\$ 465	\$ 465	\$ 465
Revenues via Concerts	\$ 8,551	\$ 12,693	\$ 15,411	\$ 16,253	\$ 16,670	\$ 18,947
Venue Expenses						
(-) Salaries, Wages & Benefits	\$ 10,917	\$ 11,244	\$ 11,581	\$ 11,929	\$ 12,287	\$ 14,244
(-) General & Admin	\$ 1,600	\$ 1,648	\$ 1,697	\$ 1,748	\$ 1,801	\$ 2,088
(-) Operations	\$ 1,000	\$ 1,030	\$ 1,061	\$ 1,093	\$ 1,126	\$ 1,305
(-) Utilities	\$ 2,335	\$ 2,405	\$ 2,477	\$ 2,551	\$ 2,628	\$ 3,046
(-) Repairs & Maintenance	\$ 300	\$ 309	\$ 318	\$ 328	\$ 338	\$ 391
(-) Insurance	\$ 690	\$ 711	\$ 732	\$ 754	\$ 777	\$ 900
(-) Materials and Supplies	\$ 300	\$ 309	\$ 318	\$ 328	\$ 338	\$ 391
(-) Reserves	\$ 1,500	\$ 1,545	\$ 1,591	\$ 1,639	\$ 1,688	\$ 1,957
(-) Property Tax	\$ 6,141	\$ 6,264	\$ 6,389	\$ 6,517	\$ 6,647	\$ 7,339
(-) Management Fee	\$ 1,250	\$ 1,288	\$ 1,326	\$ 1,366	\$ 1,407	\$ 1,631
Total Expenses	\$ 26,032	\$ 26,752	\$ 27,491	\$ 28,252	\$ 29,035	\$ 33,292
Net Operating Income	\$ 9,759	\$ 14,016	\$ 16,791	\$ 17,675	\$ 18,125	\$ 20,593

Source: Hunden Partners

Development Yield

The table to the right provides a breakdown of the three phases' net operating incomes (NOI) that GSR is projected to receive from the development of the Project along with the development yield on cost.

Given that most investors seek a development yield ranging from 10 to 20 percent, these figures underscore the critical importance of the full tax repayment for making the Project more financially viable. Without this tax relief, the Project would likely not generate sufficient returns to attract investment.

Development Yield (\$000s)	2028	2029	2030	2031	2032	2037	2042	2047	2052	2055
Reno Development	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 28
Phase 1 NOI										
Arena	\$9,759	\$14,016	\$16,791	\$17,675	\$18,125	\$20,593	\$24,231	\$28,421	\$33,247	\$36,488
Fan Zone Retail	\$806	\$830	\$855	\$881	\$907	\$1,052	\$1,219	\$1,413	\$1,638	\$1,790
Aqua Golf	\$2,990	\$3,083	\$3,179	\$3,278	\$3,380	\$3,940	\$4,590	\$5,347	\$6,227	\$6,822
Incremental GSR	\$4,759	\$5,226	\$5,511	\$5,713	\$5,884	\$6,821	\$7,908	\$9,167	\$10,627	\$11,613
Total	\$18,314	\$23,155	\$26,337	\$27,547	\$28,296	\$32,405	\$37,948	\$44,349	\$51,740	\$56,713
Phase 2 NOI										
Lakefront Retail					\$730	\$935	\$1,090	\$1,269	\$1,478	\$1,620
Workforce Housing					\$3,542	\$5,126	\$5,996	\$7,010	\$8,192	\$8,993
Total					\$4,272	\$6,061	\$7,085	\$8,279	\$9,670	\$10,613
Phase 3 NOI										
Hotel						\$20,164	\$27,258	\$31,783	\$37,048	\$40,611
Total						\$20,164	\$27,258	\$31,783	\$37,048	\$40,611
Total NOI	\$18,314	\$23,155	\$26,337	\$27,547	\$32,568	\$58,630	\$72,292	\$84,411	\$98,458	\$107,937
Total Development Cost	\$633,452	\$633,452	\$633,452	\$633,452	\$732,812	\$1,019,086	\$1,019,086	\$1,019,086	\$1,019,086	\$1,019,086
Dev. Yield on Cost	2.9%	3.7%	4.2%	4.3%	4.4%	5.8%	7.1%	8.3%	9.7%	10.6%
Abatement Requested	\$1,703	\$1,703	\$1,703	\$1,703	\$1,958	\$2,732	\$2,732	\$2,732	\$2,732	\$2,732
Adjusted NOI	\$20,017	\$24,858	\$28,039	\$29,249	\$34,526	\$61,362	\$75,024	\$87,143	\$101,190	\$110,668
Adj. Development Yield	3.2%	3.9%	4.4%	4.6%	4.7%	6.0%	7.4%	8.6%	9.9%	10.9%

Source: Hunden Partners

Fiscal Impacts Through 2055

The adjacent tables illustrate the projected impacts that the Project is expected to have on the City of Reno, including the total impact and the average annual impact.



Table 1: Total Impact Through 2055

Spending	\$ (millions)
Direct	\$2,595
Indirect	\$865
Induced	\$639
Total	\$4,099
Earnings	\$ (millions)
Direct	\$637
Indirect	\$266
Induced	\$202
Total	\$1,106
FTE Supported	Peak
Direct	474
Indirect	105
Induced	92
Total	671
Fiscal City Impact	\$ (millions)
City C-Tax	\$17.5
City Room Tax	\$5.2
Total	\$22.7

Table 2: Average Annual Impact

Spending	\$ (millions)
Direct	\$87
Indirect	\$29
Induced	\$21
Total	\$137
Earnings	\$ (millions)
Direct	\$21
Indirect	\$9
Induced	\$7
Total	\$37
FTE Supported	Average
Direct	371
Indirect	83
Induced	72
Total	526
Fiscal City Impact	\$ (millions)
City C-Tax	\$0.6
City Room Tax	\$0.2
Total	\$0.7

Developer Proposal Review & Site Assessment

hunden partners

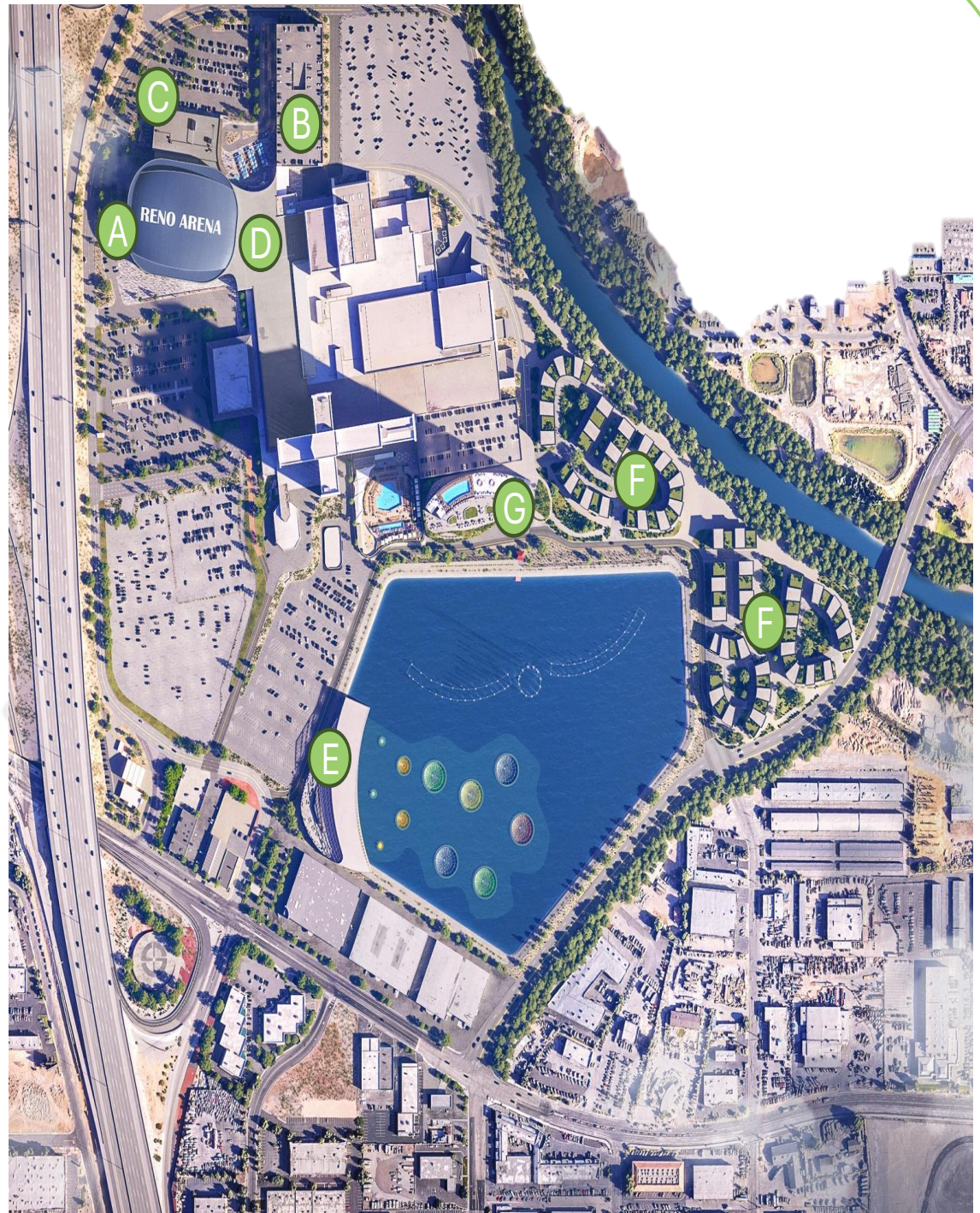


Reno Arena Project

Proposed Program

The Developer is proposing the following elements as part of the Reno Arena Project adjacent to the GSR. Costs for the development are expected to total approximately \$1 billion over the next 10 years:

- A. 10,000-seat arena
- B. 2,400-space parking garage
- C. 50,000-SF community ice facility
- D. 24,300-SF retail
- E. High-tech aqua golf driving range
- F. 300 workforce housing units
- G. Potential 500-room hotel



Events



Source: Gensler

Aqua Golf

The Grand Sierra Resort (GSR) already features a golf driving range; however, it is relatively small, accommodating only 18,200 visits in 2023. In response to growing demand and the desire to offer a more engaging golfing experience, GSR is set to expand with a new state-of-the-art driving range. Projected to attract 352,820 visits in its first year, the new facility aims to significantly enhance Reno's appeal to golf enthusiasts.

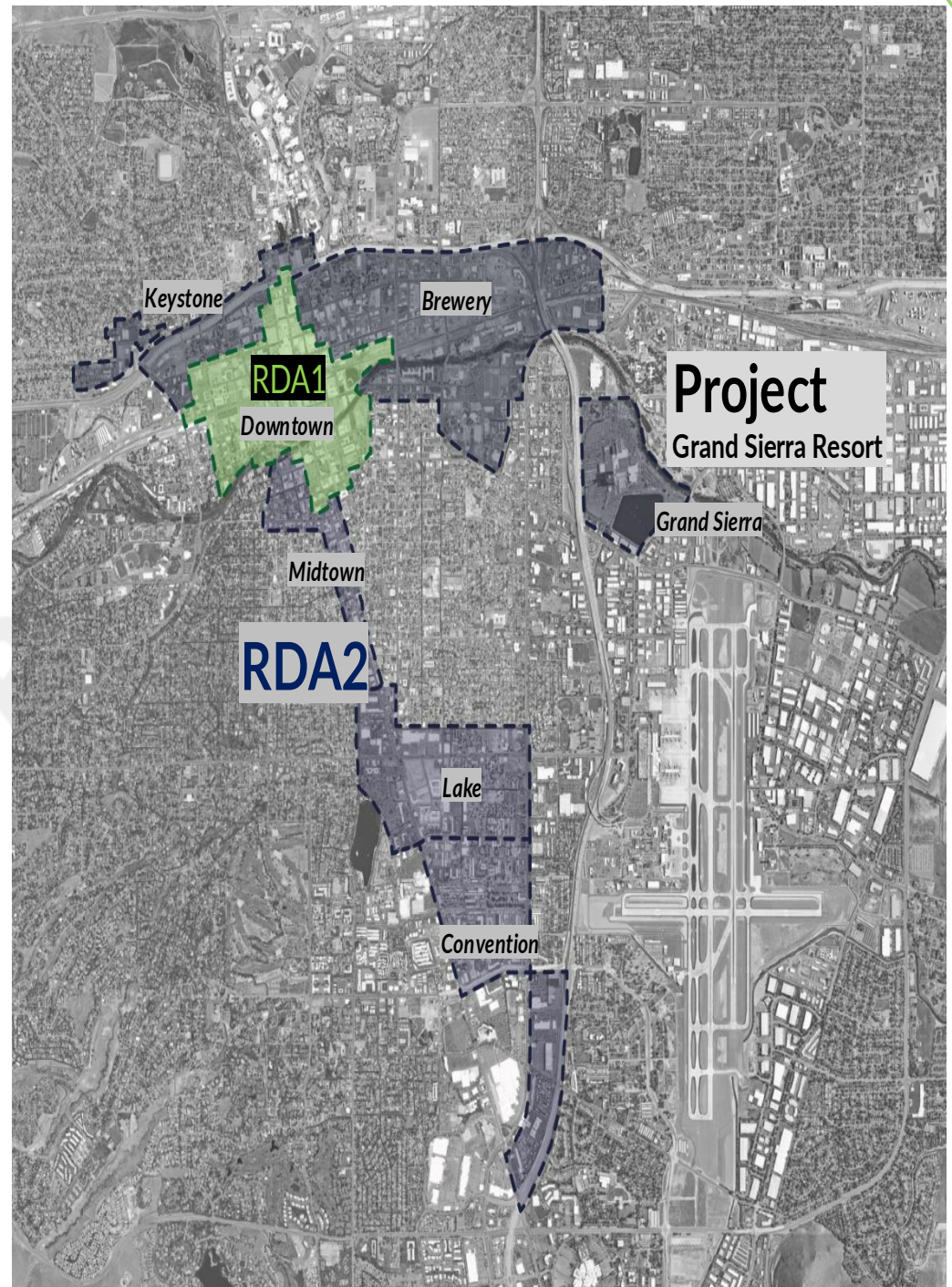
Comparatively, the closest similar facility is the Top Golf in Sacramento, which recorded more than 830,000 visits in 2023. More than 5,500 of those visitors were from Reno. This trend suggests that the enhanced driving range at GSR could recapture a significant portion of this audience.



Redevelopment Area

History of the RDA in Reno

- In the 1980s, the City of Reno needed to incentivize investment in the downtown core of the City. To help with this process, the Reno Redevelopment Agency was founded. The Agency created the first Redevelopment Area (RDA 1), a Tax Incremental Zone, in 1983. In 2025, there are two active RDA zones.
- Redevelopment Area 1 (RDA 1) | 1983 – 2043, 230 Acres
 - Notable Developments:
 - National Bowling Stadium,
 - The Truckee Riverwalk, and
 - Greater Nevada Field.
- 2005 - Redevelopment Area 2 (RDA 2) | 2005 – 2035, 740 Acres
 - Development Pipeline:
 - **Multifamily:** 2,196 units completed; 1,626 units U/C
 - **Hotel:** 170 new rooms completed; 270 rooms proposed
 - **Retail:** 70,000 SF completed; 80,000+ SF U/C
 - **Office:** 382,000 SF completed; 150,000 SF U/C
 - **Industrial:** 1.2 M SF completed

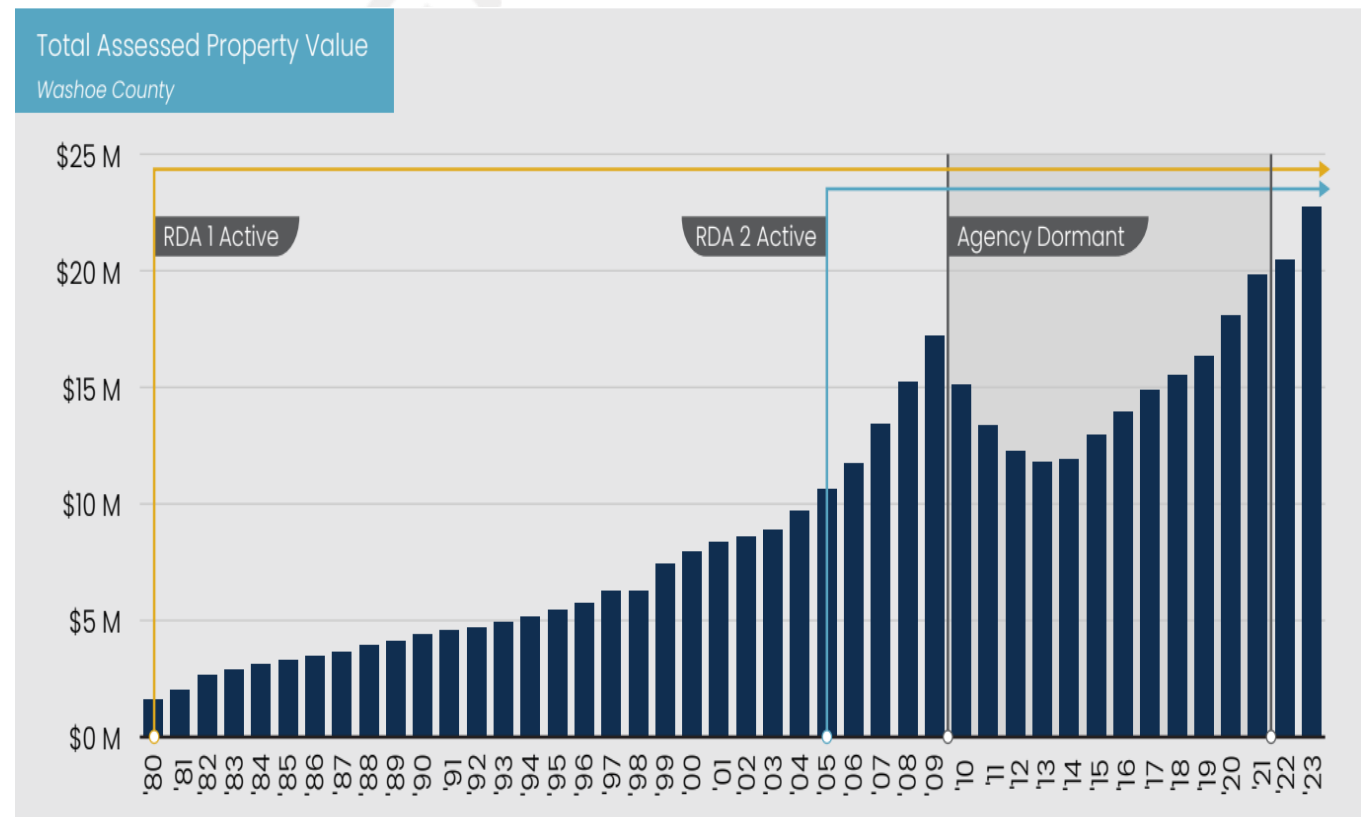


Redevelopment Area

History of the RDA in Reno

In the year that RDAs are designated, a baseline of property tax amounts is set. From this baseline, a portion of tax dollars that exceed the baseline amount are available for recapture by the Agency for the development within the area. These funds are then allocated towards developments and other projects within Reno.

In 2005, the City designated a second Redevelopment Area (RDA 2) to continue new investment in additional areas of town. Soon after initiating RDA 2, the Recession of 2008 occurred, hurting property values. Property values in Reno peaked in 2009, taking 11 years to reach these levels again in 2020.

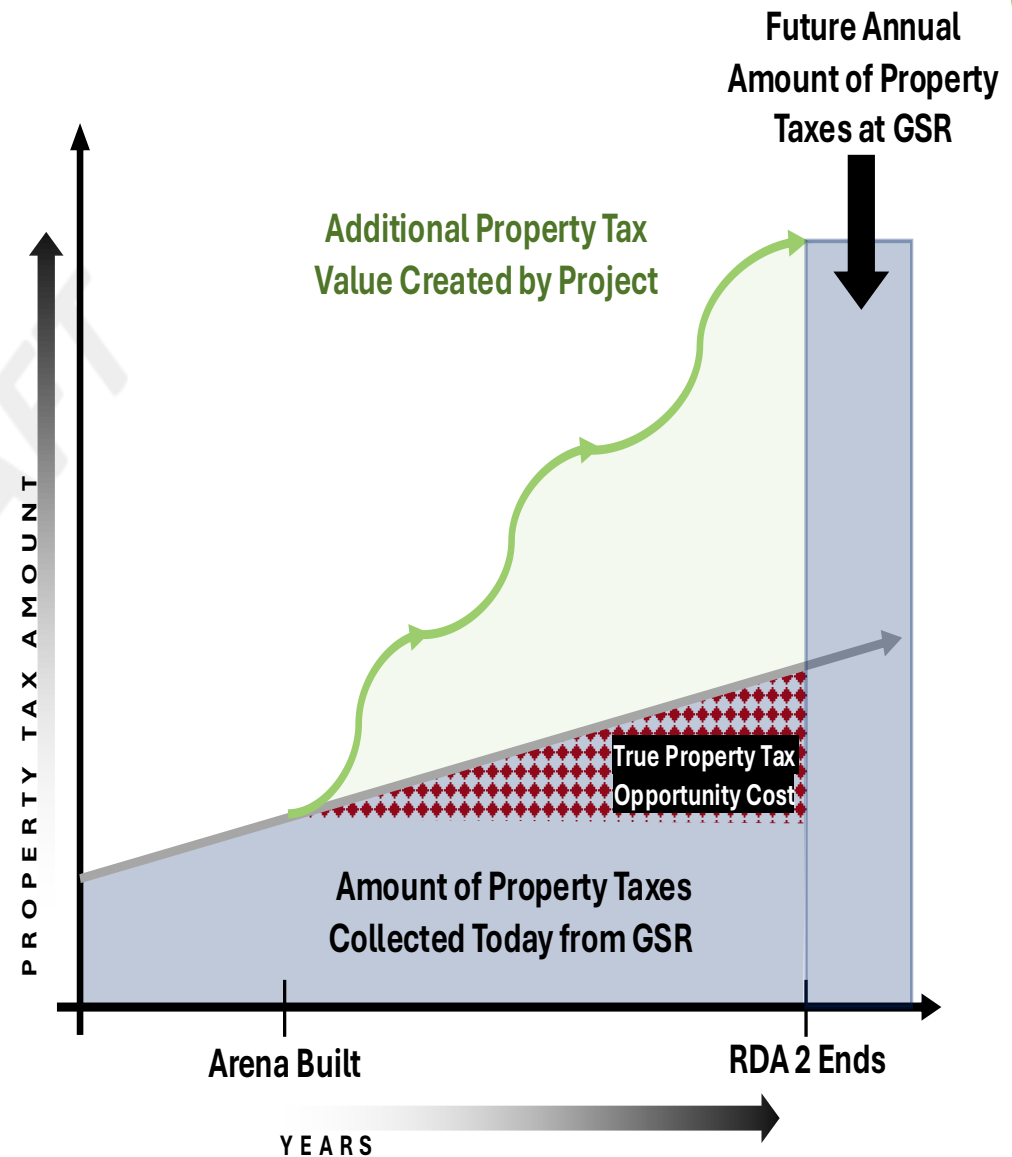


RDA Dollars With and Without the Project

History of the RDA in Reno

Nevada has a statutory limit on the annual amount property tax can increase from the previous year. This cap is 3 percent for residential and 8 percent for commercial properties (the GSR and the Project). This is one reason property tax values within the RDA 2 took 11 years to recover following the Great Recession.

The new builds will be assessed when built, giving a greater opportunity to increase property tax amounts for the duration of the RDA 2.

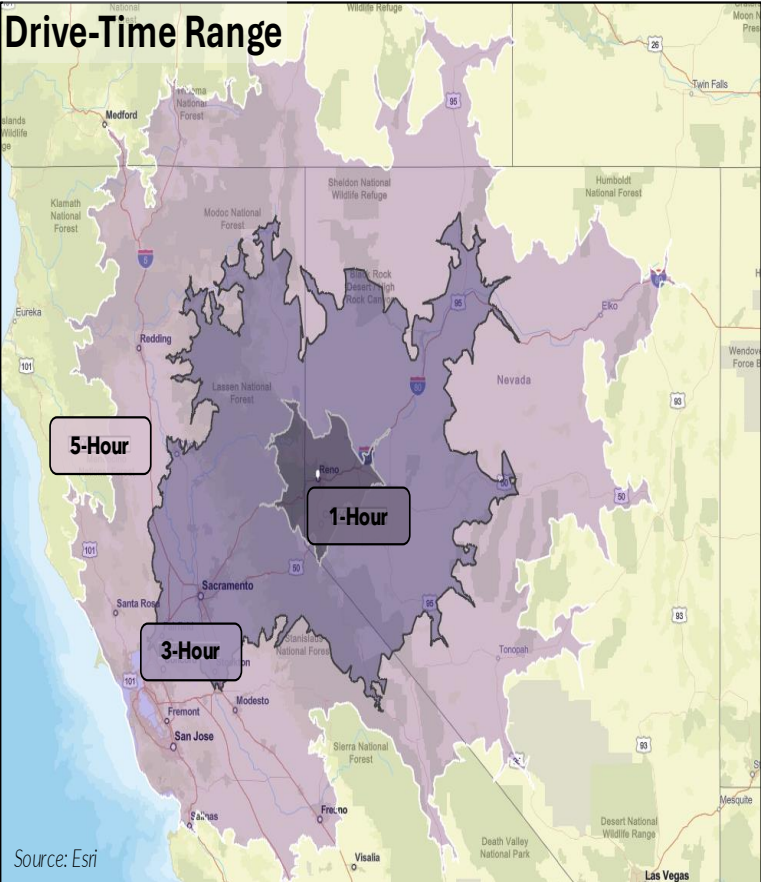


Economic, Demographic and Tourism Analysis

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Geographical Overview

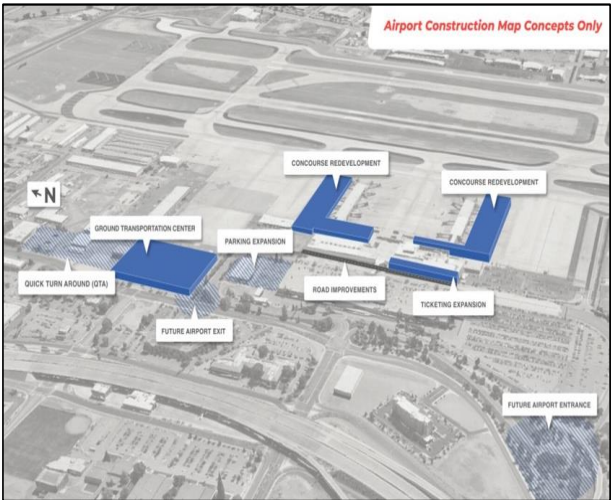


Estimated Drive-Time Statistics from Reno, NV (2024)			
	1-Hour	3-Hour	5-Hour
Population	704,133	1,240,587	15,470,678
Households	282,164	494,897	5,513,974
Median Household Income	\$84,424	\$86,945	\$104,340
Median Home Value	\$533,203	\$584,413	\$719,722
Median Age	40.4	42.1	39.1

Source: ESRI

Drive-Time Population

The Project site has access to a modest population base within its driving range. Within a one-hour drive, the population is approximately 700,000, distributed across 280,000 households. Expanding to a five-hour drive increases the population significantly to 15 million people in five million households. The three-hour drive reaches the major market of Sacramento, while a five-hour drive extends to San Francisco, San Jose, and Fresno.



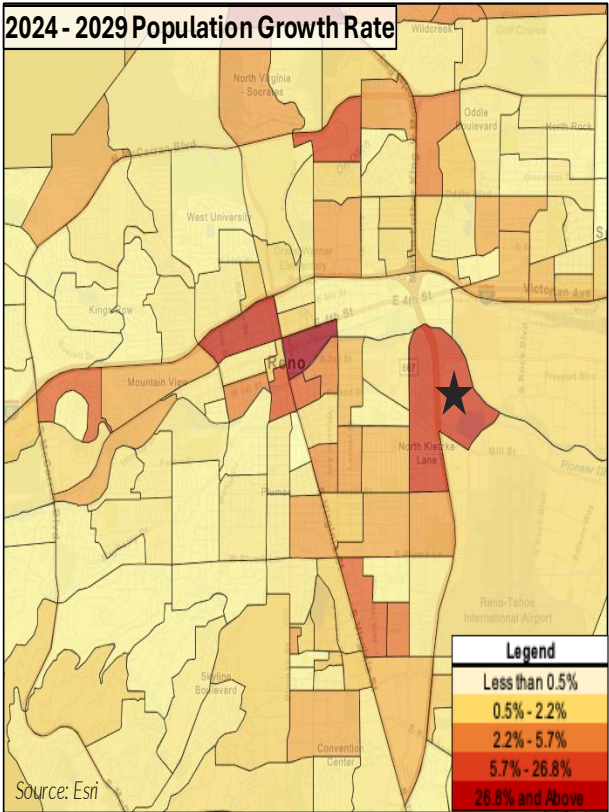
Air Accessibility

The Reno-Tahoe International Airport is conveniently located less than two miles from the Project site, offering more than 20 nonstop destinations and supporting more than 130 daily flights. Currently, the airport is actively pursuing various funding sources to facilitate approximately \$1 billion in infrastructure investments. Planned improvements include a new ground transportation center, expanded parking facilities, roadway enhancements, new concourses, and an upgraded ticketing hall.

Reno-Tahoe International Airport (RNO)		
Year	Enplanement	Deplanement
2018	2,044,641	2,046,076
2019	2,157,085	2,158,778
2020	982,555	976,640
2021	1,754,648	1,758,403
2022	2,097,322	2,103,503
2023	2,215,481	2,219,353

Source: Bureau of Transportation Statistics

Population and Income

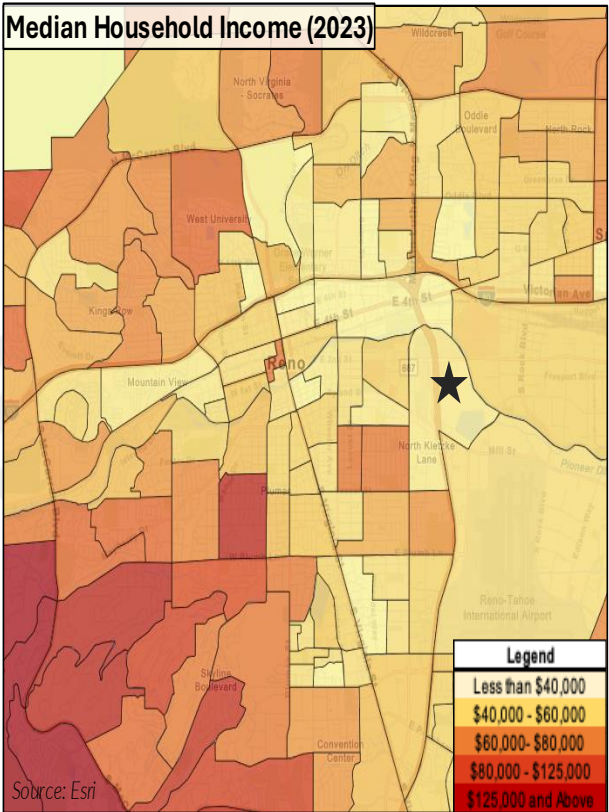


Population and Growth Rates					
	2010	2020	2024	2029 Projected	Percent Change 2010 - 2024
United States	308,745,538	331,449,281	338,440,954	344,873,411	9.6%
Nevada	2,700,551	3,104,614	3,265,907	3,392,820	20.9%
Washoe County	421,403	486,492	514,322	536,178	22.0%
Reno	225,352	264,182	281,800	293,206	25.0%

Source: U.S. Census Bureau

Population

Since 2010, Washoe County’s total population has grown by an impressive 22 percent. The City of Reno has undergone even greater growth, with a 25-percent increase since 2010, and is projected to welcome nearly 12,000 new residents between 2024 and 2029. Certain areas of downtown Reno are expected to experience growth rates exceeding 40 percent from 2024 to 2029. Situated near the main hub of Reno, the Project site is well-positioned to capitalize on this expansion.



Income & Housing Data (2023)				
Category	United States	Nevada	Washoe County	Reno
Homeownership rate	64.8%	58.4%	58.6%	48.3%
Median value of owner-occupied housing units	\$281,900	\$373,800	\$460,000	\$462,100
Average Household Size	2.57	2.64	2.49	2.35
Median household income	\$75,149	\$71,646	\$81,531	\$73,073

Source: U.S. Census Bureau

Income

The city of Reno encompasses a diverse range of household incomes, with neighborhoods in the southwest area reporting incomes exceeding \$200,000. Meanwhile, some surrounding areas in the downtown core have incomes below \$50,000. Although household incomes adjacent to the Property site are below average, there are areas with significantly higher incomes within a short driving distance.

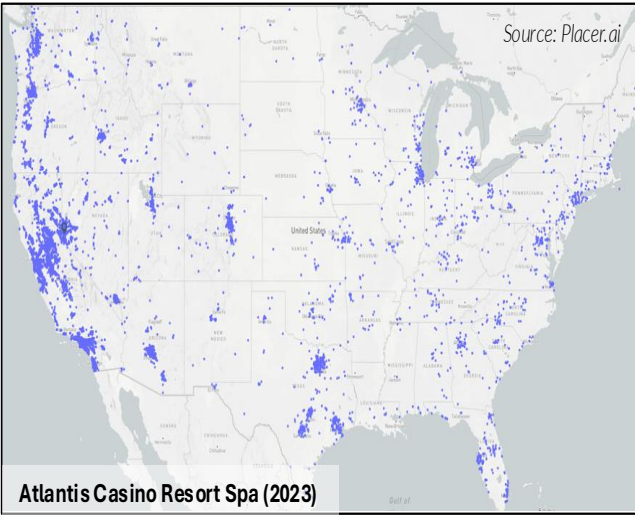
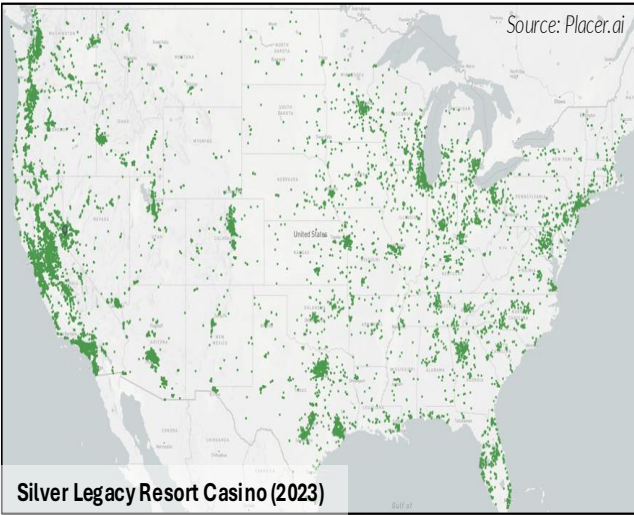
Major Tourism Drivers

Tourism in Reno is primarily driven by the hospitality and gaming industries, with casinos serving as the city's most popular attractions. The Grand Sierra Resort welcomed over 3.5 million visits in 2023, 60 percent of which originated from visitors living more than 100 miles away.

The adjacent maps illustrate the home locations of these visitors for two of the casinos in Reno. While the majority originate from the western states, the resorts also draw a significant number of guests from across the country.

Beyond casinos, other attractions contribute significantly to Reno's tourism. For example, an estimated 83 percent of visitors to the National Bowling Stadium came from outside the 100-mile radius, while the National Automobile Museum welcomed more than 50 percent of its visitors from similar distances.

While casinos are the primary drivers of Reno, diversifying its tourism offerings is important. These attractions highlight Reno's hotel-inducing assets, enhancing the Project's potential to benefit from the region's existing tourism and entertainment activities.



Most Visited Local Attractions 2023							
Rank	Name	Attraction Type	2023 Visits	2023 Visitors	2023 Visits More Than 100 mi	% of 2023 Visits Over 100 Miles	Avg. Visits Per Customer
1	Grand Sierra Resort	Hotel & Casino	3,500,000	1,100,000	2,100,000	60.00%	3.18
2	Silver Legacy Resort Casino	Hotel & Casino	3,000,000	1,100,000	2,100,000	70.00%	2.73
3	Atlantis Casino Resort Spa	Hotel & Casino	2,400,000	773,400	987,500	41.15%	3.10
4	Peppermill Resort Spa Casino	Hotel & Casino	2,200,000	544,300	1,100,000	50.00%	4.04
5	Nugget Casino Resort	Hotel & Casino	1,300,000	359,500	791,900	60.92%	3.62
6	Galaxy Theatres	Movie Theater	544,100	250,800	37,500	6.89%	2.17
7	Coconut Bowl at Wild Island	Amusement Center	535,700	230,200	63,900	11.93%	2.33
8	Round1 Entertainment	Amusement Center	514,700	220,900	48,900	9.50%	2.33
9	Wilbur D May Arboretum & Botanical Garden	Park	242,500	156,400	29,200	12.04%	1.55
10	National Bowling Stadium	Stadium	192,800	99,700	160,100	83.04%	1.93
11	West Wind Drive-In and Public Market	Movie Theater	167,600	81,200	11,700	6.98%	2.06
12	Washoe Golf Course	Golf Course	115,100	24,100	5,300	4.60%	4.78
13	Terry Lee Wells Nevada Discovery Museum	Museum	96,500	62,500	19,200	19.90%	1.54
14	National Automobile Museum	Museum	91,900	77,600	46,100	50.16%	1.18
15	Nevada Museum of Art	Museum	56,200	36,400	9,500	16.90%	1.54
Total/Average			14,957,100	5,117,000	7,510,800	50.22%	2.92
Visitation numbers are estimates based off of geo-fencing data							
Source: Placer.ai							

Economic Landscape

Washoe County Major Employers - 2024

Company Name	Industry	Number of Employees
Washoe County School District	Education	5,000-9,999
Renown Regional Medical Center	Healthcare	1,000-4,999
Washoe County	Government	1,000-4,999
City of Reno	Government	1,000-4,999
Grand Sierra Resort & Casino	Hospitality	1,000-4,999
Peppermill Hotel Casino	Hospitality	1,000-4,999
University of Nevada, Reno	Education	1,000-4,999
Nugget Casino Resort	Hospitality	1,000-4,999
St. Mary's Regional Medical Center	Healthcare	1,000-4,999
Eldorado Resort Casino	Hospitality	1,000-4,999
Silver Legacy Resort Casino	Hospitality	1,000-4,999
International Game Technology	Technology	1,000-4,999
UPS Customer Ctr	Logistics	1,000-4,999
Circus Circus Reno	Hospitality	1,000-4,999
Legacy Supply Chain Services	Logistics	1,000-4,999
JC Penney Distribution Center	Logistics	500-999
Renown South Meadows Medical Center	Healthcare	500-999
Hyatt Regency Lake Tahoe Resort	Hospitality	500-999

Source: Nevada Workforce

Workforce

A significant portion of Reno's industries relies on gaming, hospitality, and healthcare. While slightly outside of the county limits, the Tahoe Reno Industrial Center (TRIC) plays a strong role in diversifying the local economy. The TRIC has attracted major employers including Tesla's Gigafactory, which was established in 2014 and supports more than 10,000 jobs. Continued diversification of Reno's primary industries will help to build a stronger, more resilient economy.

PEPPERMILL
RENO



Renown[®]
HEALTH



Saint Mary's
Primary Care



University of Nevada, Reno



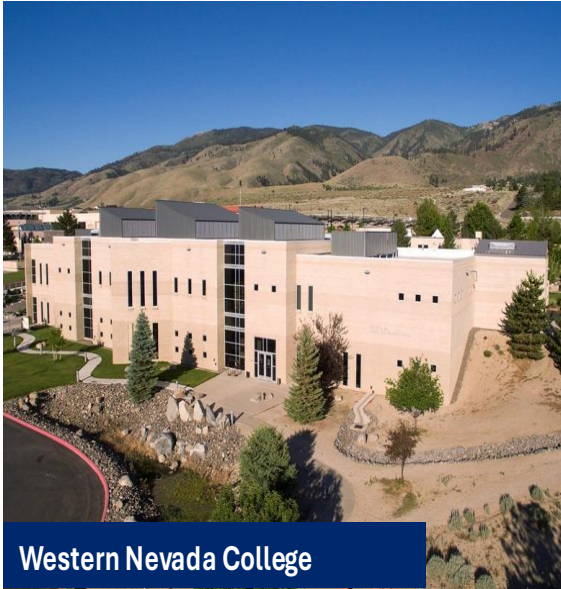
Colleges and Universities

University Presence

Downtown Reno benefits from its proximity to a large university population, a group that typically brings stable demand for housing and consistent economic activity. The University of Nevada, Reno, one of Washoe County’s largest employers, enhances this dynamic. Additionally, the Project is planned to be the new home for the University of Nevada, Reno’s Men’s Basketball team, leading to consistent long-distance visitation and activity at the arena.

Reno, NV Colleges & Universities (Within 50 miles)			
Institution	Distance from 75074 (miles)	Highest Degree Offered	Enrollment
Truckee Meadows Community College	1.7	Bachelors	9,651
University of Nevada-Reno	2.1	Bachelors	20,945
Western Nevada College	24.7	Bachelors	3,582
Total	--	--	34,178

Source: National Center for Education Statistics



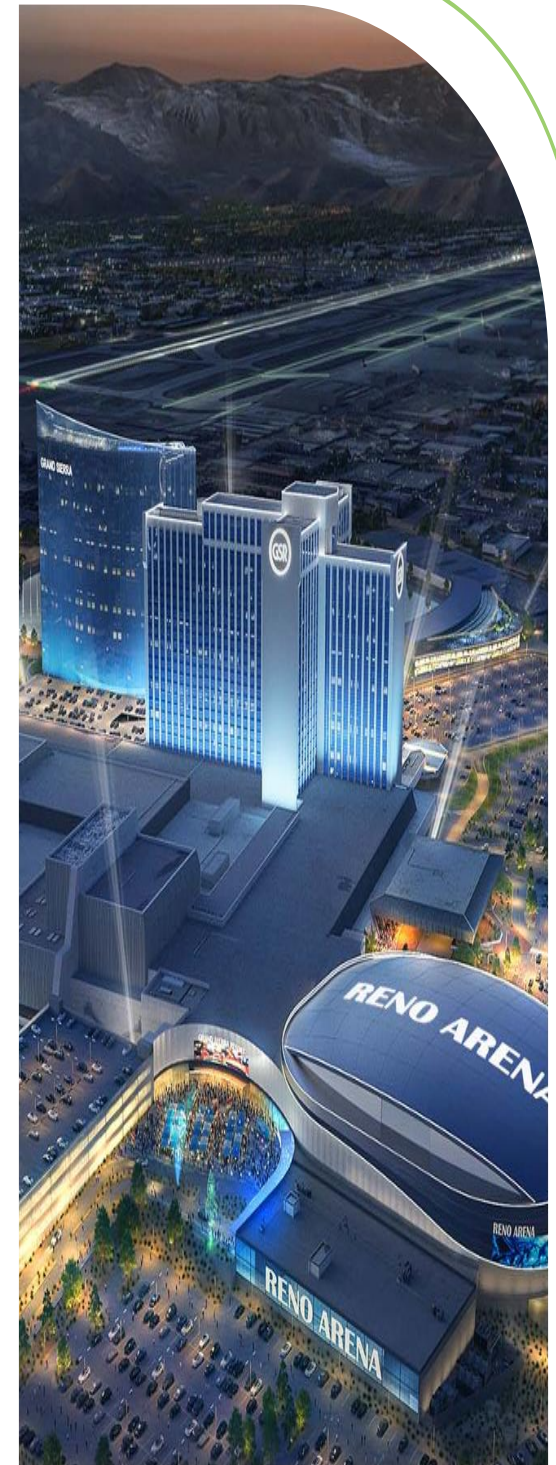
Implications

Local market area characteristics such as population, demographics, a diversified economy, access and attractions influence the potential demand for developments as well as the overall attractiveness of an area to any potential visitor.

Washoe County has experienced a 22-percent increase in population since 2010, with downtown Reno projected to grow by another 12,000 residents between 2024 and 2029. This growth underscores the area's potential for growth in workforce, spending, tourism, and overall activity.

While Reno is known for its casinos, its economy is bolstered by major employers like Tesla, whose Gigafactory has created more than 10,000 jobs. As the workforce continues to diversify, Reno's economy and hotel demand will continue to expand as well. The region also benefits from the presence of universities like the University of Nevada, Reno, which provide a steady pool of young workforce talent and long-distance visitation.

The Project site benefits from a strategic location near downtown and Reno-Tahoe International Airport, providing prime accessibility for regional and national visitors. Additionally, Reno's proximity to a drive-in population of 15 million people within a five-hour radius, including major markets like Sacramento and San Francisco, increases its market potential.



Arena, Entertainment and Event Market Analysis

hunden partners



Arena Market Summary

Hunden's key takeaways from its arena market are as follows:

Several venues within the proposed arena's capacity range exist in the local market. However, the Project has greater potential due to its affiliation with Grand Sierra Resort (GSR) and its status as a brand-new facility. Although it may draw some events away from other local venues, it is also expected to introduce new events to the city.

Promoters noted Reno's proximity to Sacramento as a challenge for attracting events, as touring acts typically perform in only one of the two cities, with Sacramento's larger population often providing it with an advantage. However, visitation data from Placer.ai indicates minimal market overlap between the two regions.

The presence of the University of Nevada, Reno basketball team and a potential minor league team as tenants presents an opportunity to significantly enhance the Project's financial viability. This advantage will not only drive consistent visitation but also increase the Project's appeal to potential sponsors and partners.



Event Demand
Avg. Events per
Venue 27



Ticket Prices
Avg. Ticket Price
\$74.60



Attendance
Avg. Event Capacity 5,836
Avg. Event Attendance
4,752

Sports

DRAFT

Lawlor Events Center

The Lawlor Events Center, situated on the University of Nevada, Reno campus, has been a key venue in northern Nevada since it opened in 1983. Built with a budget of \$26 million, the center can accommodate up to 12,000 spectators and currently hosts the University of Nevada, Reno basketball team.

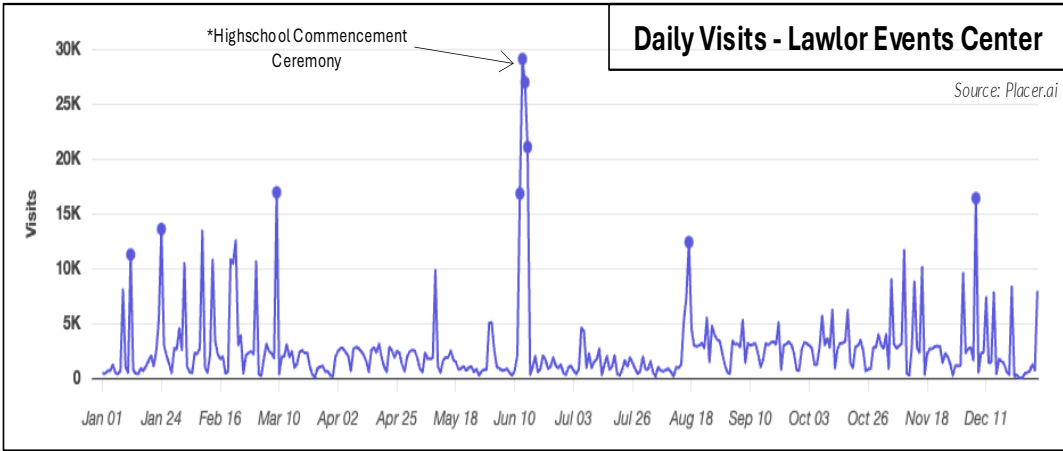
In 2024, the center attracted nearly one million visitors, with its largest events occurring in mid-June when it hosted several high school graduation and commencement ceremonies. Visitation was also higher during the university's basketball season, which had an average attendance of 8,500 per game.

The last major concert at the venue was held in 2021. According to Visit Reno Tahoe, the Lawlor Events Center has not been utilized for major events by their organization in more than two decades, which is likely in part due to its university programming.



Lawlor Events Center - Reno, NV					
January 2024 - December 2024					
Visitor Origins by Distance from Site	Total Visits		Total Unique Visitors		Avg. Visits per Visitor
	Est. Number of Visits	Percent of Total Visits	Est. Number of Visitors	Percent of Total Visitors	
Locals - Within 25 miles	773,100	79%	162,700	61%	4.75
Regional Distance - 25 to 100 miles	68,500	7%	27,800	10%	2.46
Long Distance only - Over 100 miles	142,400	14%	77,100	29%	1.85
Total Visits	984,000	100%	267,600	100%	3.68

Source: Placer.ai



G-League

When considering a basketball tenant, there are only two primary leagues: the NBA and the G-League. Because of the more structured format of the player development system within professional basketball, there are fewer teams, and they generally do not relocate often. The G-League consists of a 50-game regular season. All 30 NBA teams have G-League affiliates. Feedback from individuals familiar with the G-League indicates that NBA teams prefer their affiliates' close location to the parent franchise. This proximity allows for efficient player movement between the two teams when needed.

The Stockton Kings are the affiliate of the NBA's Sacramento Kings and is the closest G-League team to Reno. The Stockton Kings play at the 12,000-capacity Adventist Health Arena and generate an estimated average attendance of 1,499 fans per game in the 2022 – 2023 season.

The league's newest arenas tend to have smaller capacities, indicating a trend toward downsizing to more appropriately accommodate fans based on the league's attendance figures.

National Basketball League G-League Overview (2023)				
Sorted by Arena Capacity				
Team	Location	Arena	Arena Capacity	Avg. Attendance
Mexico City Capitanes	Mexico City, Mexico	Mexico City Arena	22,300	3,641
Long Island Nets	Uniondale, NY	Nassau Veterans Memorial Coliseum	17,260	2,163
Birmingham Squadron	Birmingham, AL	Legacy Arena	17,000	2,737
Iowa Wolves	Des Moines, IA	Wells Fargo Arena	17,000	4,148
Oklahoma City Blue	Oklahoma City, OK	Cox Convention Center	13,846	1,925
Cleveland Charge	Cleveland, OH	Wolstein Center	13,610	2,865
Indiana Mad Ants	Indianapolis, IN	Gainbridge Fieldhouse	13,000	2,046
Stockton Kings	Stockton, CA	Adventist Health Arena	12,000	1,499
Windy City Bulls	Hoffman Estates, IL	Sears Centre	11,000	2,525
Grand Rapids Gold	Grand Rapids, MI	Van Andel Arena	10,834	3,253
Memphis Hustle	Southaven, MS	Landers Center	8,411	1,094
Osceola Magic	Kissimmee, FL	Silver Spurs Arena	8,300	–
Rio Grande Valley Vipers	Edinburg, TX	Bert Ogden Arena	7,688	3,750
San Diego Clippers	Oceanside, CA	Frontwave Arena	7,500	–
Austin Spurs	Cedar Park, TX	HEB Center	6,863	2,956
Texas Legends	Frisco, TX	Comerica Center	6,000	5,840
Valley Suns	Tempe, AZ	Mullett Arena	5,000	–
Raptors 905	Mississauga, Canada	Paramount Fine Foods Centre	5,000	3,691
Salt Lake City Stars	Salt Lake City, UT	Lifetime Activities Center-Bruin Arena	5,000	1,839
Westchester Knicks	White Plains, NY	Westchester County Center	5,000	711
Rip City Remix	Portland, OR	Chiles Center	4,852	–
Capital City Go-Go	Washington, DC	Entertainment & Sports Arena	4,200	1,076
College Park Skyhawks	College Park, GA	Gateway Center Arena	3,500	1,624
Wisconsin Herd	Oshkosh, WI	Oshkosh Arena	3,500	2,847
Santa Cruz Warriors	Santa Cruz, CA	Kaiser Permanente Arena	3,300	2,585
Motor City Cruise	Detroit, MI	Wayne State Arena	3,000	1,266
Maine Celtics	Portland, ME	Portland Exposition Building	3,000	2,094
Sioux Falls Skyforce	Sioux Falls, SD	Sanford Pentagon	3,000	2,101
Delaware Blue Coats	Wilmington, DE	Chase Fieldhouse	2,500	1,407
Greensboro Swarm	Greensboro, NC	Swarm Fieldhouse	2,100	1,408
South Bay Lakers	Los Angeles, CA	UCLA Health Training Center	750	441
Average			7,946	2,353
Source: RealGM, Various				

Minor & Junior League Hockey

In comparison to basketball, the player development system in hockey is notably less centralized, encompassing a wider array of leagues and teams. Nevada hosts two minor league hockey teams: the Henderson Silver Knights, affiliated with the NHL's Vegas Golden Knights, and the Tahoe Knight Monsters.

The introduction of a minor league team to Reno could be expected to significantly boost local interest, enhancing the city's sports culture and potentially increasing economic activity through increased attendance and related spending at games and events. This could also present an opportunity for Reno to diversify its entertainment offerings beyond traditional gaming and casino-related activity.

United States Minor & Junior League Hockey Overview			
League	# of Teams	Average Attendance	# of Teams in Nevada
Minor League Hockey Leagues			
AAA: American Hockey League (AHL)	32	5,408	1
AA: East Coast Hockey League (ECHL)	28	4,630	1
A: Southern Professional Hockey League (SPHL)	10	3,445	0
A: Federal Prospects Hockey League (FPHL)	11	2,045	0
Average	20	3,882	-
Junior Hockey Leagues			
Tier I: Western Hockey League (WHL)	22	3,893	0
Tier I: United States Hockey League (USHL)	16	2,430	0
Tier II: North American Hockey League (NAHL)	32	1,129	0
Tier III: Eastern Hockey League (EHL)	23	102	0
Tier III: North American 3 Hockey League (NA3HL)	34	320	0
Average	25	1,575	-
Source: Various			

Local Entertainment

Local Entertainment Venue Supply

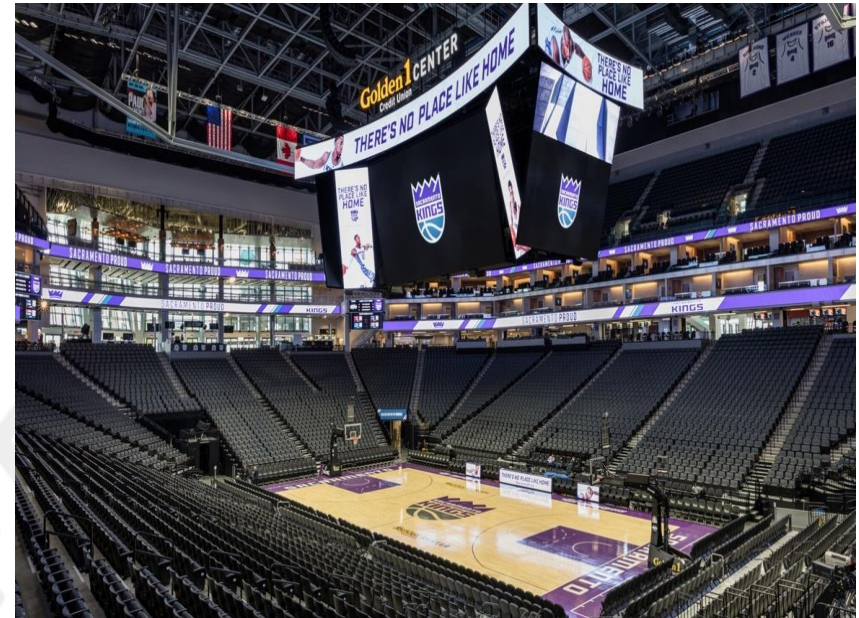
The table below provides an overview of the local entertainment venues within a 150-mile radius of Reno, focusing on those with capacities ranging from 3,000 to 20,000. Due to Reno's proximity to Sacramento, promoters project that the Project's proposed arena will likely compete directly with venues in that market. The local supply includes a strong mix of both indoor and outdoor venues, with the Project expected to compete with both types. Additionally, the data shows a strong presence of venues across all capacity ranges, with no notable gaps in capacity offerings.

Relevant Entertainment Venue Supply (3,000 to 20,000 Capacity within 150 mi)								
Venue Information			Location		Pollstar Event Summary			
Venue	Capacity	Venue Type	City	Distance from Reno, NV	Estimated 2024 Events	Avg. Event Capacity	Avg. Event Attendance	Avg. Ticket Price
Toyota Amphitheatre	18,500	Amphitheatre	Wheatland, CA	98 mi	16	16,854	13,868	\$65.93
Golden 1 Center	17,500	Arena	Sacramento, CA	112 mi	73	11,224	8,306	\$91.71
Sutter Health Park	17,500	Stadium	West Sacramento, CA	114 mi	-	-	-	-
Adventist Health Arena	12,000	Arena	Stockton, CA	135 mi	13	7,581	4,894	\$65.10
Greater Nevada Field	12,000	Stadium	Reno, NV	1 mi	-	-	-	-
Lawlor Events Center	12,000	Arena	Reno, NV	1 mi	-	-	-	-
Nugget Event Center	8,500	Amphitheatre	Sparks, NV	4 mi	3	-	-	-
Reno Events Center	7,500	Arena	Reno, NV	1 mi	18	5,234	3,914	\$79.81
Lake Tahoe Outdoor Arena At Harveys	7,200	Amphitheatre	Stateline, NV	40 mi	12	6,338	6,238	\$103.32
Ironstone Amphitheatre	6,700	Amphitheatre	Murphys, CA	104 mi	7	4,813	4,008	\$70.74
Outdoor Amphitheater At Thunder Valley	5,300	Amphitheatre	Lincoln, CA	94 mi	-	5,069	4,264	\$60.76
Tahoe Blue Event Center	5,200	Arena	Stateline, NV	35 mi	22	4,076	3,231	\$61.71
The Venue At Thunder Valley Casino Resort	4,600	Auditorium / Theatre	Lincoln, CA	91 mi	100	3,881	3,612	\$107.21
The Fruit Yard Amphitheater	4,500	Amphitheatre	Modesto, CA	145 mi	10	4,137	3,981	\$63.02
Peppermill Hotel Casino & Spa	4,300	Auditorium / Theatre	Reno, NV	3 mi	-	1,039	993	\$59.28
Memorial Auditorium	4,000	Auditorium / Theatre	Sacramento, CA	112 mi	14	3,098	2,437	\$59.67
Grand Theatre at Grand Sierra Resort	3,000	Auditorium / Theatre	Reno, NV	2 mi	39	2,518	2,027	\$81.52
Average	8,841	-	-	64 mi	27	5,836	4,752	\$74.60
*Some venues do not report all events. True event data may be skewed or underestimated.								
Source: Pollstar								

Golden 1 Center

- Concert Capacity: 17,500
- Year Built: 2016
- Cost: \$558.2 million
- Owner: City of Sacramento
- Operator: The Sacramento Kings
- Tenant: The Sacramento Kings

The Golden 1 Center, located in Sacramento and operational since 2016, exemplifies a state-of-the-art entertainment venue with a seating capacity of 17,500. The center is equipped with 334 luxury suites that accommodate 16 to 24 guests and 39 lofts that accommodate 8 to 10 guests. Golden 1 Center serves as the home of the NBA's Sacramento Kings and a preferred location for major touring concerts and events. In 2019, Golden 1 Center was recognized among the world's top arenas, hosting 1.7 million guests and contributing strongly to the vitality of downtown Sacramento. In 2024, the venue's concerts and shows drew an average of 11,000 attendees per event.



Year	Number of Events	# of Events W/ Data	Average Capacity	% of Available Tickets Sold	Average Attendance	Avg. Ticket Price
2024	83	47	12,023	91%	10,996	\$109.02
2023	86	82	11,238	86%	9,670	\$99.46
2022	70	66	10,556	85%	8,983	\$87.31
2021	34	32	11,441	82%	9,412	\$83.46
2020	21	21	11,159	74%	8,256	\$47.92
2019	78	76	11,155	87%	9,662	\$83.02
2018	66	66	11,396	80%	9,107	\$75.48
2017	59	53	14,221	85%	12,029	\$74.44
2016	27	25	10,810	80%	8,658	\$72.31
Average	48	43	11,555	83%	9,642	\$81.38

Sources: Polstar

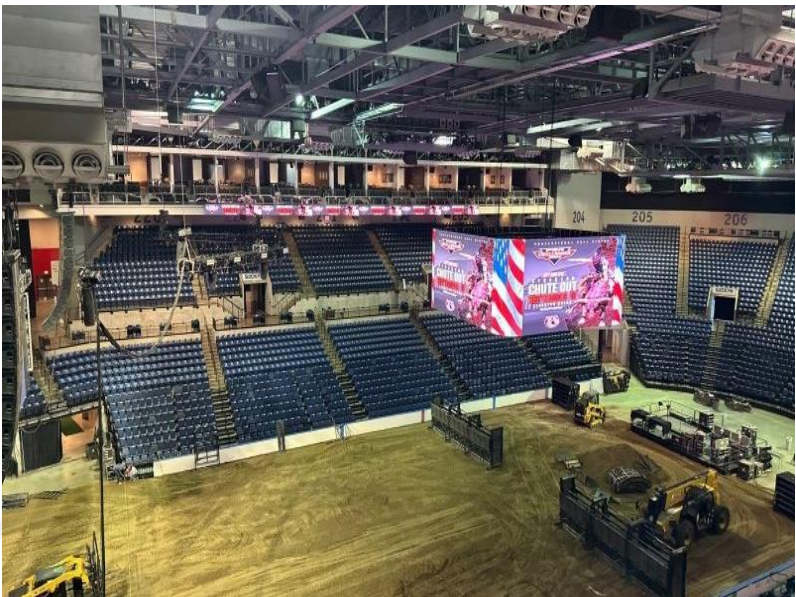
*Some venues do not report all events. True event data may be skewed or underestimated.

Adventist Health Arena

- Concert Capacity: 12,000
- Year Built: 2005
- Cost: \$68 million
- Owner: City of Stockton
- Operator: ASM Global
- Tenant: Stockton Kings (NBA G-League)

The Adventist Health Arena, located in Stockton and completed in 2005 at a cost of \$68 million, boasts a concert capacity of 12,000. The arena is equipped with 24 suites.

Managed by ASM Global and owned by the City of Stockton, it serves as the home venue for the Stockton Kings. In the past decade, the arena has averaged 16 events annually, with a peak in average attendance and ticket sales in 2023. The arena has hosted a diverse lineup of events over the years, reflected by its fluctuating attendance and event frequency.



Adventist Health Arena						
Year	Number of Events	# of Events W/ Data	Average Capacity	% of Available Tickets Sold	Average Attendance	Avg. Ticket Price
2024	15	10	8,193	51%	4,154	\$50.89
2023	9	5	6,930	86%	5,989	\$74.13
2022	9	6	7,310	78%	5,714	\$72.23
2021	2	2	4,974	75%	3,746	\$53.75
2020	10	10	3,826	64%	2,430	\$37.45
2019	25	24	4,017	54%	2,172	\$32.58
2018	24	24	4,117	61%	2,495	\$33.58
2017	15	15	6,039	56%	3,362	\$49.81
2016	13	12	7,425	68%	5,030	\$67.43
2015	26	19	4,826	52%	2,515	\$38.80
2014	24	22	7,225	44%	3,152	\$36.80
Average	16	14	5,898	63%	3,705	\$49.77

Source: Pollstar

*Some venues do not report all events. True event data may be skewed or underestimated.

Reno Events Center

- Concert Capacity: 7,500
- Year Built: 2005
- Cost: \$28.5 million
- Owner: Reno-Sparks Convention and Visitors Authority
- Operator: Reno-Sparks Convention and Visitors Authority
- Tenant: None

The Reno Events Center was built in 2005 with a building cost of \$28.5 million. This venue has a concert capacity of 7,500 and is a key component of the Reno entertainment landscape, despite not having a permanent tenant.

Over the years, the Reno Events Center has hosted an average of 14 events annually, demonstrating flexibility in event types and audience capacity. The data shows a consistent utilization of the venue, with a notable uptick in ticket sales and attendance in recent years.



Year	Number of Events	# of Events W/ Data	Average Capacity	% of Available Tickets Sold	Average Attendance	Avg. Ticket Price
2024	19	5	5,386	69%	3,730	\$63.57
2023	24	9	5,312	88%	4,652	\$83.51
2022	17	8	5,053	67%	3,381	\$51.46
2021	3	2	-	-	-	\$38.90
2020	4	1	5,513	-	-	-
2019	23	8	5,190	76%	3,926	\$48.04
2018	12	3	5,770	82%	4,726	\$49.40
2017	14	8	5,418	98%	5,290	\$75.91
2016	12	6	6,285	99%	6,221	\$61.23
2015	10	0	-	-	-	-
2014	13	6	5,152	95%	4,913	\$71.03
Average	14	5	5,453	84%	4,605	\$60.34

Source: Pollstar

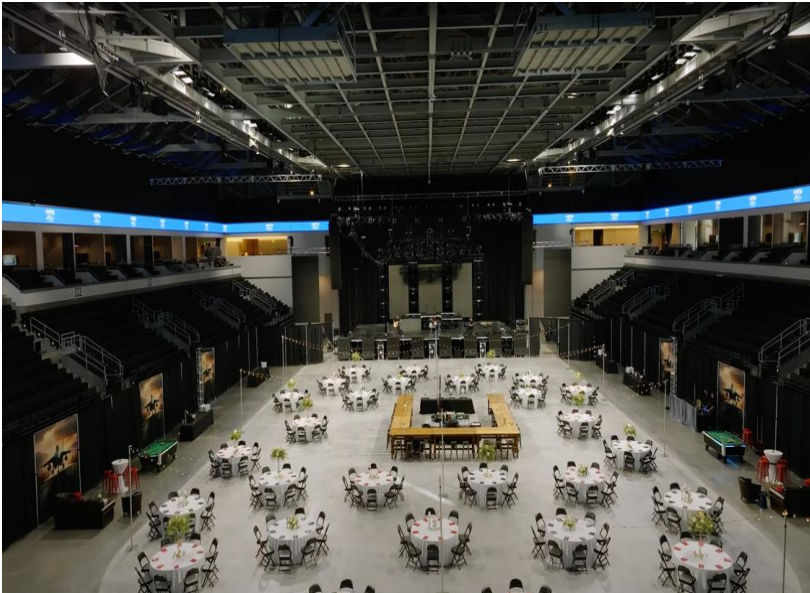
*Some venues do not report all events. True event data may be skewed or underestimated.

Tahoe Blue Event Center

- Concert Capacity: 5,200
- Year Built: 2023
- Cost: \$100 million
- Owner: Tahoe Douglas Visitors Authority
- Operator: OVG
- Tenant: Tahoe Knight Monsters

The Tahoe Blue Event Center, established in 2023 with a construction cost of \$100 million, is operated by OVG and owned by the Tahoe Douglas Visitors Authority. This venue was a significant investment into the Reno market's position as an appealing destination for entertainment.

Since its opening, the Tahoe Blue Event Center has hosted a total of 27 concerts and shows. With a focus on providing premium seating and experiences, the center has maintained an average attendance rate of 71 percent. The center is equipped with several luxury suites as well as nearly 10,000 square feet of meeting room space.



Tahoe Blue Event Center						
Year	Number of Events	# of Events W/ Data	Average Capacity	% of Available Tickets Sold	Average Attendance	Avg. Ticket Price
2024	22	3	4,076	71%	2,896	\$54.66
2023	5	0	-	-	-	-
Average	2	0	4,076	71%	2,896	\$54.66

Source: Polstar

*Some venues do not report all events. True event data may be skewed or underestimated.

Relevant Outdoor Venues

Nugget Event Center

- Concert Capacity: 8,500
- Year Built: 2019
- Cost: \$6.2 million
- Owner: Marnell Gaming
- Operator: Century Casinos

Year	Number of Events	# of Events W/ Data	Average Capacity	Average Attendance	Avg. Ticket Price
2024	9	1	7,461	4,566	\$79.88
2023	6	2	8,559	6,333	\$74.85
Average	1	0	8,010	5,450	\$77.37

Source: Pollstar

*Some venues do not report all events.

Lake Tahoe Outdoor Arena at Harveys

- Concert Capacity: 9,300
- Year Built: 1992
- Cost: \$10 million
- Owner: Caesars Entertainment
- Operator: Another Planet Entertainment

Year	Number of Events	# of Events W/ Data	Average Capacity	Average Attendance	Avg. Ticket Price
2024	13	10	5,830	5,425	\$100.38
2023	13	13	6,546	6,306	\$100.83
2022	20	19	6,465	6,263	\$101.37
2021	5	3	6,421	6,421	\$76.51
2020	0	0	-	-	-
2019	11	11	6,153	5,716	\$99.73
2018	15	15	6,785	6,572	\$88.86
2017	12	9	6,560	5,948	\$74.59
2016	13	12	6,452	5,889	\$93.75
2015	12	10	6,483	6,396	\$84.98
2014	14	12	6,273	5,690	\$99.51
Average	12	10	6,397	6,063	\$92.05

Source: Pollstar

*Some venues do not report all events.

Visitation to Competitive Venues

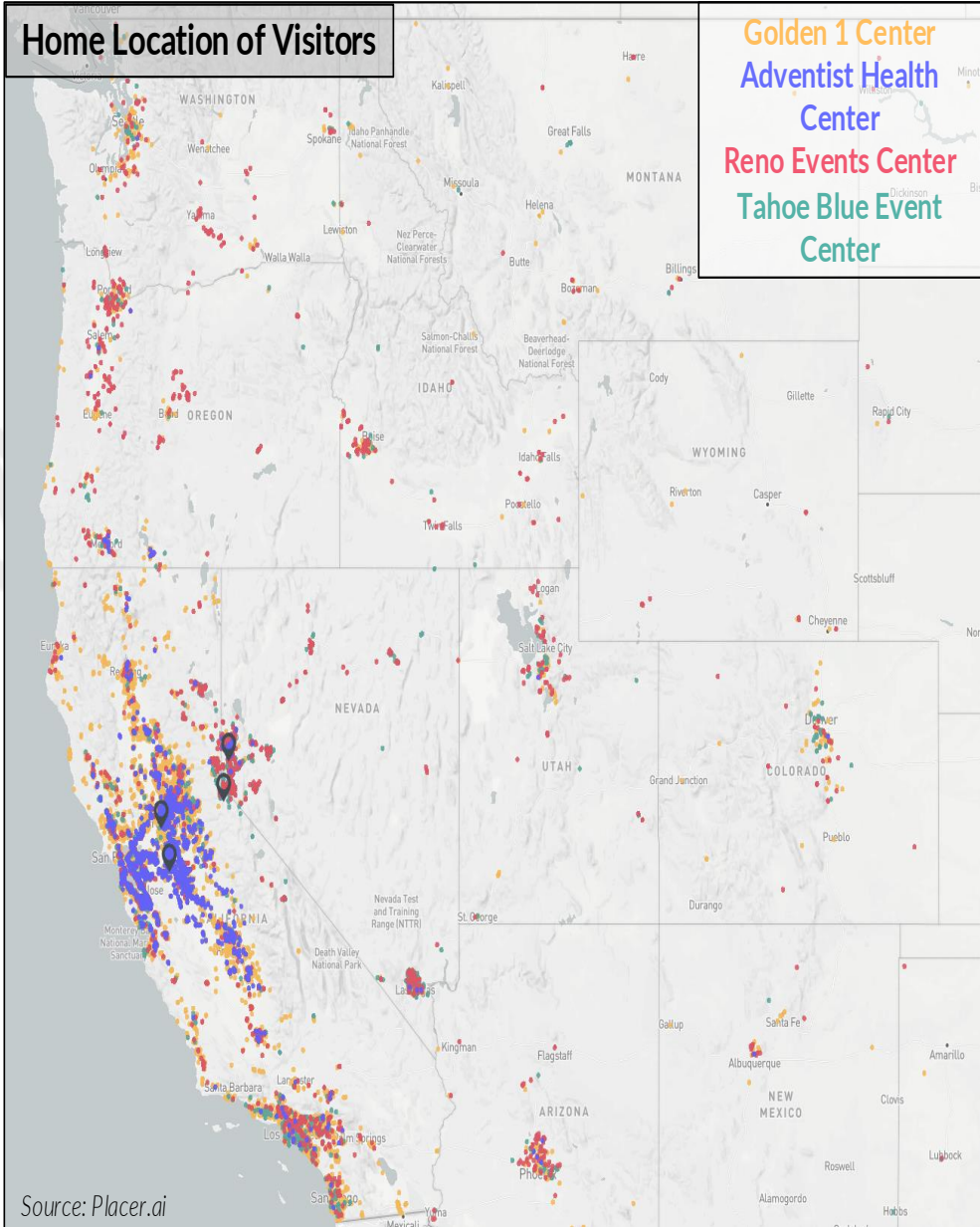
The adjacent map illustrates the origins of visitors to the Golden 1 Center, the Adventist Health Arena, the Reno Events Center, and the Tahoe Blue Event Center. The Golden 1 Center attracts significantly more visitors, both locally and from outside Sacramento, due to its larger capacity and status as the home of the Sacramento Kings.

Of the more than three million visitors to the Center, approximately one percent, or 22,000 individuals, originate from Reno. Similarly, at the Adventist Health Arena, only 1,000 of the more than 400,000 visitors are residents of Reno. These figures underscore the minimal competition and limited overlap in trade areas between the regions.

The Reno Events Center and Tahoe Blue Event Center attract a majority of its visitors from more than 100 miles away due to their strategic locations in popular tourist destinations. The Reno Events Center experiences the highest percentage of visitors from more than 100 miles away due to the wide range of events held.

Visitation to Competitive Venues January 2024 - December 2024				
Visitor Origin	Golden 1 Center	Adventist Health Arena	Reno Events Center	Tahoe Blue Event Center
Locals - Within 25 miles	1,800,000	230,800	55,200	66,700
Regional Distance - 25 to 100 miles	897,700	142,600	25,000	68,100
Long Distance only - Over 100 miles	332,400	34,200	149,900	86,600
Total Visits	3,030,100	407,600	230,100	221,400

Source: Placer.ai



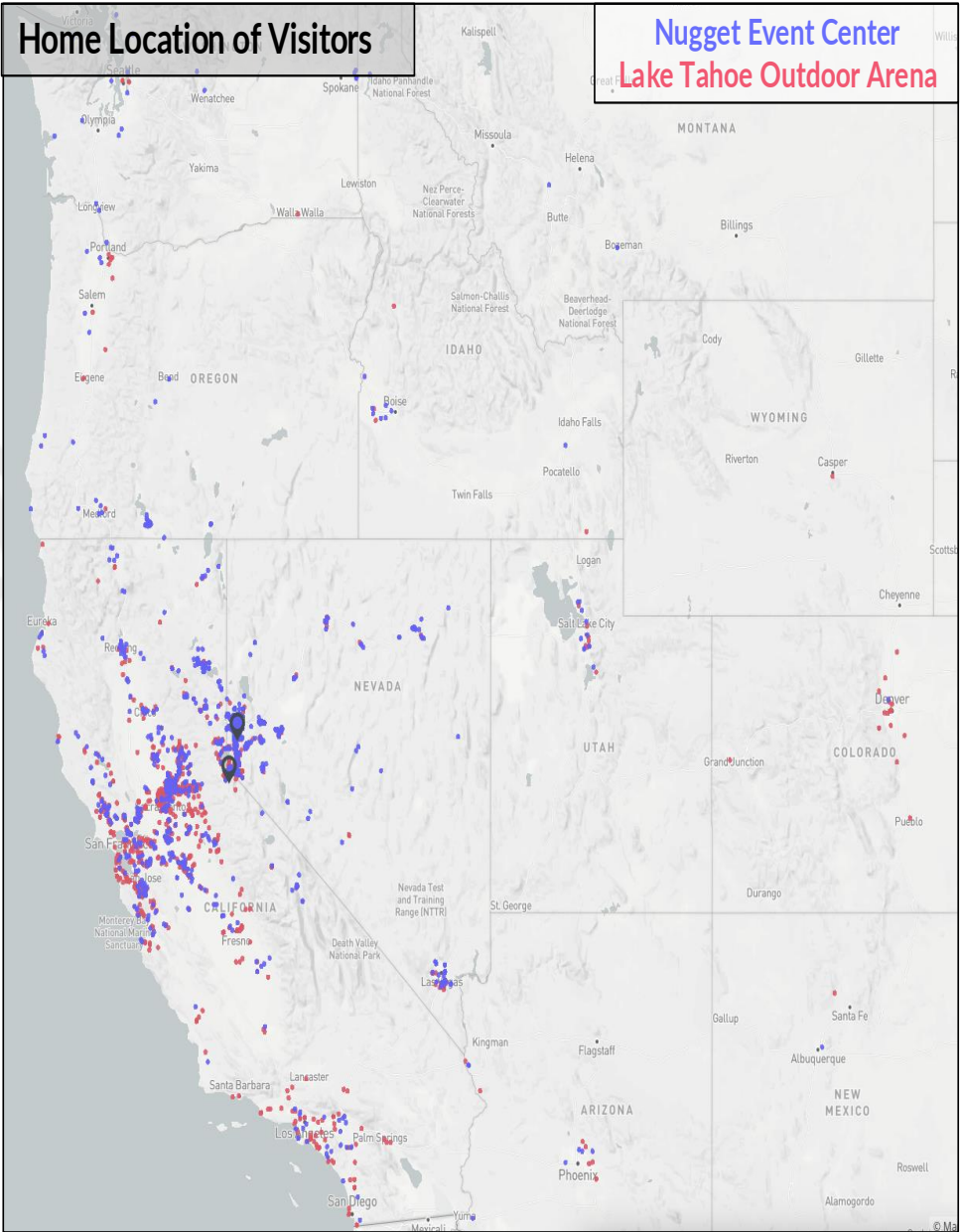
Visitation to Competitive Venues

The adjacent map provides an overview of the home locations of visitors to the Nugget Event Center and the Lake Tahoe Outdoor Arena.

In contrast to other event centers previously analyzed in the Reno market, the majority of visitors to the Nugget Event Center reside within a 25-mile radius. Conversely, most attendees of the Lake Tahoe Outdoor Arena travel from beyond 25 miles to reach the venue.

Interviews with stakeholders indicate that although these outdoor venues draw substantial crowds, they lack the atmosphere and amenities typically associated with traditional arenas.

Visitation to Competitive Venues January 2024 - December 2024		
Visitor Origin	Nugget Event Center	Lake Tahoe Outdoor Arena
Locals - Within 25 miles	66,900	23,100
Regional Distance - 25 to 100 miles	19,700	41,200
Long Distance only - Over 100 miles	28,300	34,500
Total Visits	114,900	98,800
Source: Placer.ai		



Recent Shows

The table below provides an overview of the most recent concerts and promoted shows held at some of the Project's most competitive venues, based on data sourced from Pollstar. The Golden 1 Center boasts the highest event frequency among these venues with more than 55 concerts in 2024, which includes high-profile acts like Zach Bryan and Weezer.

The Reno Events Center offers the most diverse range of events, which span from the U.S. Open Taekwondo Championship to a variety of musical performances.

Competitive Entertainment Venue Supply - Most Recent Events							
Golden 1 Center		Adventist Health Arena		Reno Events Center		Tahoe Blue Event Center	
Headliner	Date	Headliner	Date	Headliner	Date	Headliner	Date
Zach Bryan	11/29/24	All Elite Wrestling	10/17/24	Sesame Street Live	12/27/24	Apres Ski NYE	12/30/24
Trans-Siberian Orchestra	11/27/24	Jo Koy	10/13/24	Caifanes, Café Tacvba	9/12/24	Disney Junior Live	12/13/24
Disney On Ice: Mickey's Search Party	11/1/24	Nightmare In The Arena	10/12/24	Jerry Seinfeld	6/6/24	John Legend	12/6/24
Jeff Lynne's ELO	10/23/24	Lil Wayne	9/20/24	Los Angeles Azules	6/6/24	The Black Crowes	12/3/24
Weezer	10/8/24	PBR	9/14/24	Leo Ku	6/6/24	Air1 Worship Now Live, Crowder	11/10/24
Fuerza Regida	10/5/24	Professional Bull Riders	9/14/24	Brandon Lake	6/1/24	Jo Koy	11/9/24
Franco Escamilla	9/28/24	Hot Wheels Monster Trucks Live Glow Party	6/15/24	Jeff Dunham	6/1/24	Parker McCollum	10/26/24
Elevation Worship	9/27/24	MercyMe	3/24/24	The Wynners	4/27/24	Monster Truck Nitro Tour	6/7/24
Grupo Frontera	9/26/24	Los Tigres Del Norte	3/22/24	Hits Deep Tour, TobyMac	4/14/24	Reno Philharmonic Orchestra	6/2/24
Kacey Musgraves	9/23/24	Reloaded	3/16/24	PBR Velocity Tour	3/30/24	Blippi On Tour	4/30/24
World Wrestling Entertainment	9/20/24	The Chi-Lites	3/9/24	Hacken Lee	2/24/24	Franco Escamilla	4/14/24
Ringling Bros. and Barnum & Bailey Circus	9/15/24	The Harlem Globetrotters	2/22/24	Blippi On Tour	2/18/24	Nate Bargatze	4/4/24
Hozier	9/9/24	Bert Kreischer	2/18/24	Disney On Ice: Frozen & Encanto	2/13/24	Dancing With The Stars Live	3/18/24
Jelly Roll	9/4/24	Gabriel Iglesias	11/16/23	Gabriel Iglesias	11/29/23	Paw Patrol Live!	3/16/24
Source: Pollstar, Venue Websites							

Regional Arena

Regional Arena Supply

The adjacent table provides a comprehensive overview of comparable arenas within a 500-mile radius to assess the regional touring and routing market. The relevant regional arena supply is robust, suggesting a strong market for touring acts in the greater region.

The Adventist Health Arena, Reno Events Center, and Tahoe Blue Event Center are the primary local competitors due to their proximity to the Project, all competing for the same touring acts within the same routing market. The Project's newer and higher-quality venue will enhance its ability to compete more effectively.

Relevant Arena Supply (5,000 to 15,000 Capacity within 500 mi)							
Venue Information		Location		Pollstar Event Summary			
Venue	Capacity	City	Distance from Reno, NV	Estimated 2024 Events	Avg. Event Capacity	Avg. Event Attendance	Avg. Ticket Price \$CAD
Pechanga Arena San Diego	14,000	San Diego, CA	490 mi	42	7,373	5,216	\$92.34
Long Beach Arena	13,500	Long Beach, CA	408 mi	3	11,838	6,477	\$92.64
MGM Grand Garden Arena	13,000	Las Vegas, NV	347 mi	40	9,659	9,218	\$129.34
ExtraMile Arena	12,808	Boise, ID	337 mi	16	7,081	6,457	\$69.03
Matthew Knight Arena	12,500	Eugene, OR	353 mi	6	7,308	6,451	\$83.93
Maverik Center	12,500	West Valley City, UT	422 mi	30	6,914	6,002	\$71.14
Ford Idaho Center Arena	12,279	Nampa, ID	324 mi	10	6,655	5,457	\$82.56
Viejas Arena	12,200	San Diego, CA	491 mi	20	8,297	7,551	\$120.37
Adventist Health Arena	12,000	Stockton, CA	135 mi	13	7,581	4,894	\$65.10
Michelob Ultra Arena	12,000	Las Vegas, NV	347 mi	17	7,325	5,954	\$101.39
Toyota Arena	12,000	Ontario, CA	397 mi	70	7,303	6,628	\$105.54
Acisure Arena in Greater Palm Springs	11,100	Palm Desert, CA	444 mi	50	7,978	7,503	\$137.45
Galen Center	10,500	Los Angeles, CA	389 mi	-	-	-	-
Mechanics Bank Arena	10,400	Bakersfield, CA	291 mi	22	6,012	4,438	\$75.61
Orleans Arena	9,000	Las Vegas, NV	345 mi	12	4,587	3,284	\$60.21
Selland Arena	9,000	Fresno, CA	194 mi	5	7,645	7,459	\$114.10
Veterans Memorial Coliseum	9,000	Portland, OR	439 mi	17	7,054	4,230	\$65.04
Yakima Valley SunDome	8,100	Yakima, WA	488 mi	-	4,161	3,104	\$105.35
Frontwave Arena	7,500	Oceanside, CA	458 mi	8	4,547	3,636	\$127.74
Reno Events Center	7,500	Reno, NV	1 mi	18	5,234	3,914	\$79.81
Toyota Center - Tri Cities	7,200	Kennewick, WA	462 mi	24	3,920	3,267	\$71.53
Star of the Desert Arena	6,200	Primm, NV	346 mi	34	1,574	1,574	\$59.57
Idaho Central Arena	6,000	Boise, ID	337 mi	2	4,114	4,101	\$71.52
Mountain America Center	6,000	Idaho Falls, ID	486 mi	42	3,815	2,991	\$59.54
Lee's Family Forum	5,567	Henderson, NV	357 mi	18	5,021	4,223	\$63.51
Tahoe Blue Event Center	5,200	Stateline, NV	35 mi	22	4,076	3,231	\$61.71
Average	11,231	-	348 mi	22	7,184	5,776	\$94.38

*Some venues do not report all events. True event data may be skewed or underestimated.
Source: Pollstar

Entertainment District Market Analysis

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Grand Bay Driving Range

The Grand Sierra Resort (GSR) already features a golf driving range; however, it is relatively small, accommodating only 18,200 visits in 2023. In response to growing demand and the desire to offer a more engaging golfing experience, GSR is set to expand with a new state-of-the-art driving range. Projected to attract 352,820 visits in its first year, the new facility aims to significantly enhance Reno's appeal to golf enthusiasts.

Comparatively, the closest similar facility is the Top Golf in Sacramento, which recorded more than 830,000 visits in 2023. More than 5,500 of those visitors were from Reno. This trend suggests that the enhanced driving range at GSR could recapture a significant portion of this audience.

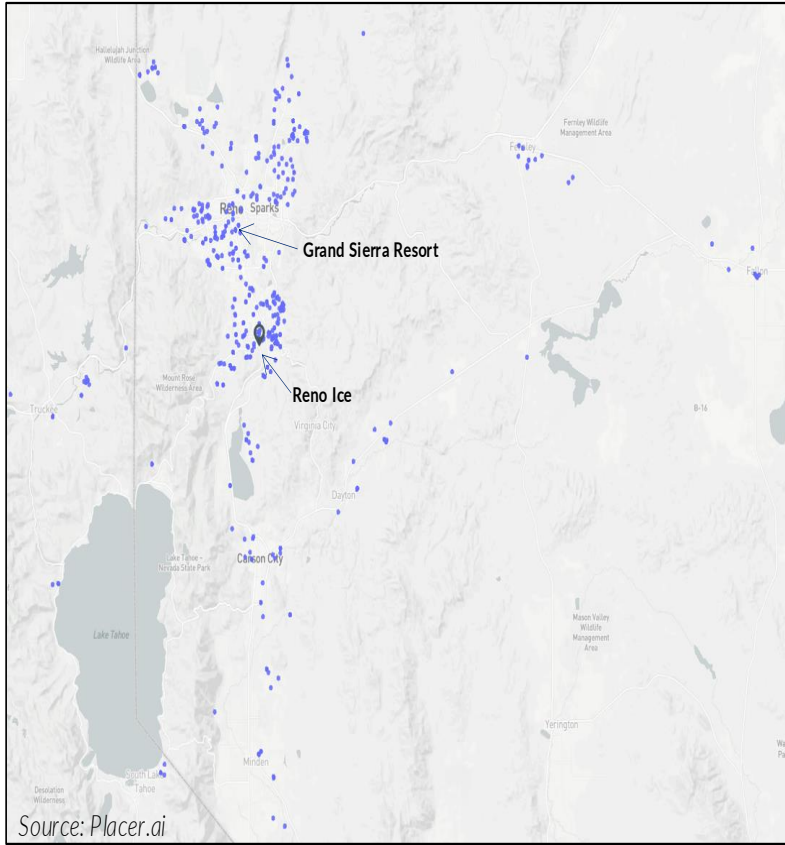


Community Ice Rink

While the Grand Sierra currently offers an ice rink, it is outdoor and only operates during part of the year. The other major ice rink in Reno is Reno Ice, which is located nine miles south of the Grand Sierra Resort. Reno Ice hosts more than 50,000 visits annually, with more than 56 percent of visitors residing within the city of Reno. An analysis of the facility's calendar indicates that most days are fully booked, which underscores a high demand for the space. The map on the right illustrates the home locations of visitors frequenting Reno Ice, with a significant portion originating from the downtown area. The data highlights the increased demand for indoor, year-round ice facilities in the region, as current offerings appear insufficient to meet the community's demand.

Community Ice Rinks Reno, NV			
	Total Visits	% With in Reno	% Outside of Reno
Reno Ice	53,700	56.0%	44.0%
The Ice Rink at Grand Sierra	15,400	32.9%	67.1%

Source: Placer.ai



Retail

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Retail Market Summary

Hunden's key takeaways from the retail market are as follows:

Retail Performance: Limited new developments in the local submarket have contributed to a strong retail performance, characterized by exceptionally low vacancy rates and positive annual absorption.

Interview Feedback: The market faces challenges due to stagnant rent growth and soaring construction costs, which have made retail development less attractive to developers. However, retail with strong highway visibility and a focus on restaurant-oriented tenants present a strong opportunity for the Project.

Future Outlook: With vacancy rates remaining extremely low, the unmet demand for retail space in Reno is expected to grow. Currently, no event venues offer a cohesive mixed-use destination, and given the Project site's prime location, a modest retail footprint would likely be well-supported and quickly absorbed by the market.



Demand

Vacancy 1.7%

Absorption 75.5K SF



Rent

Avg. Rate \$16.73 PSF

Rent Growth 2.9%



New Developments

Delivered Past 2 Yrs 0 SF

Delivered Next 2 Yrs 0 SF

Proposed Next 2 Yrs 27.5K SF

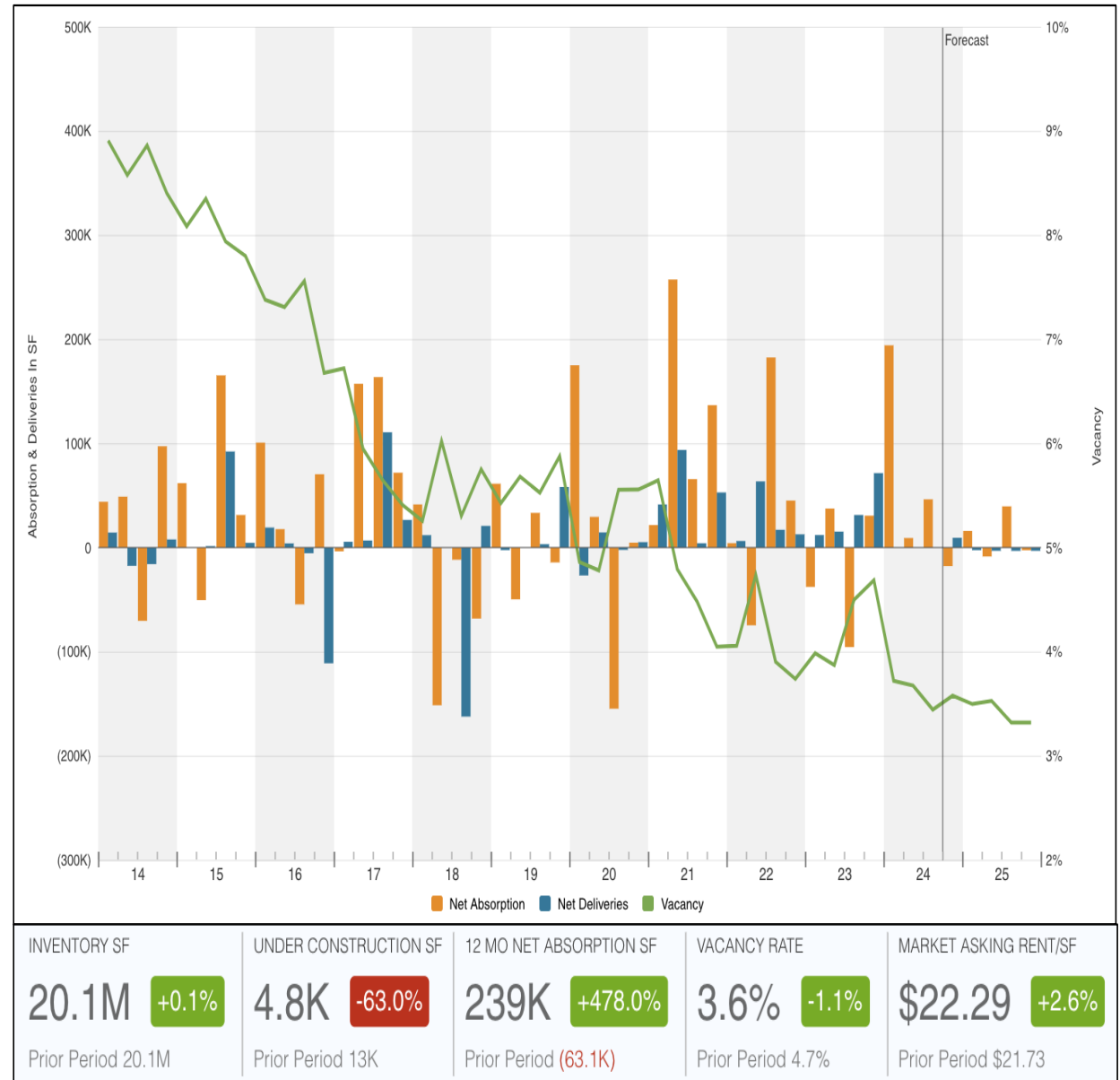
Reno Retail Overview

Hunden analyzed retail performance in the city of Reno to assess the current market landscape and understand market-wide performance.

The Reno market encompasses 20.1 million square feet of retail space. Over the past decade, vacancy levels have continuously declined and absorption has consistently surged following new deliveries.

Approximately 710,000 square feet of new space has been added to the market since 2014, with a peak of nearly 200,000 square feet delivered in 2021.

Market asking rent in the Reno market has consistently increased since 2014 and is at a current peak of \$22.29 per square foot.



Source: CoStar

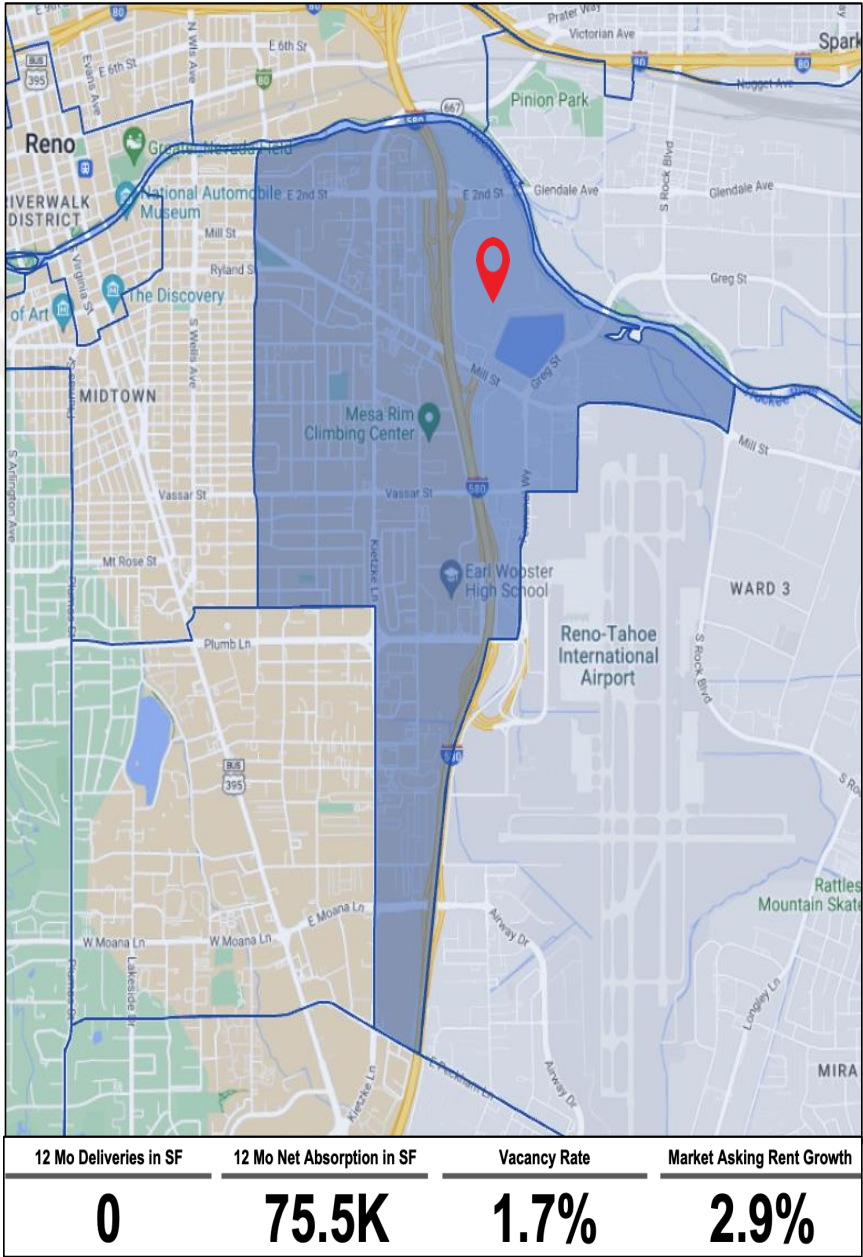
Submarket Overview

Hunden analyzed the Kietzke retail submarket to assess the current market landscape and understand local performance.

The Kietzke submarket encompasses 2.3 million square feet of retail space, with general retail representing a majority of its inventory. The submarket achieved record-low vacancy rates in 2024, likely due to the lack of recent deliveries.

The current vacancy rate exceeds the submarket's five-year average of three percent and 10-year average of six percent. Meanwhile, annual rent growth is trailing behind the five-year average of 3.8 percent and the 10-year average of 3.1 percent.

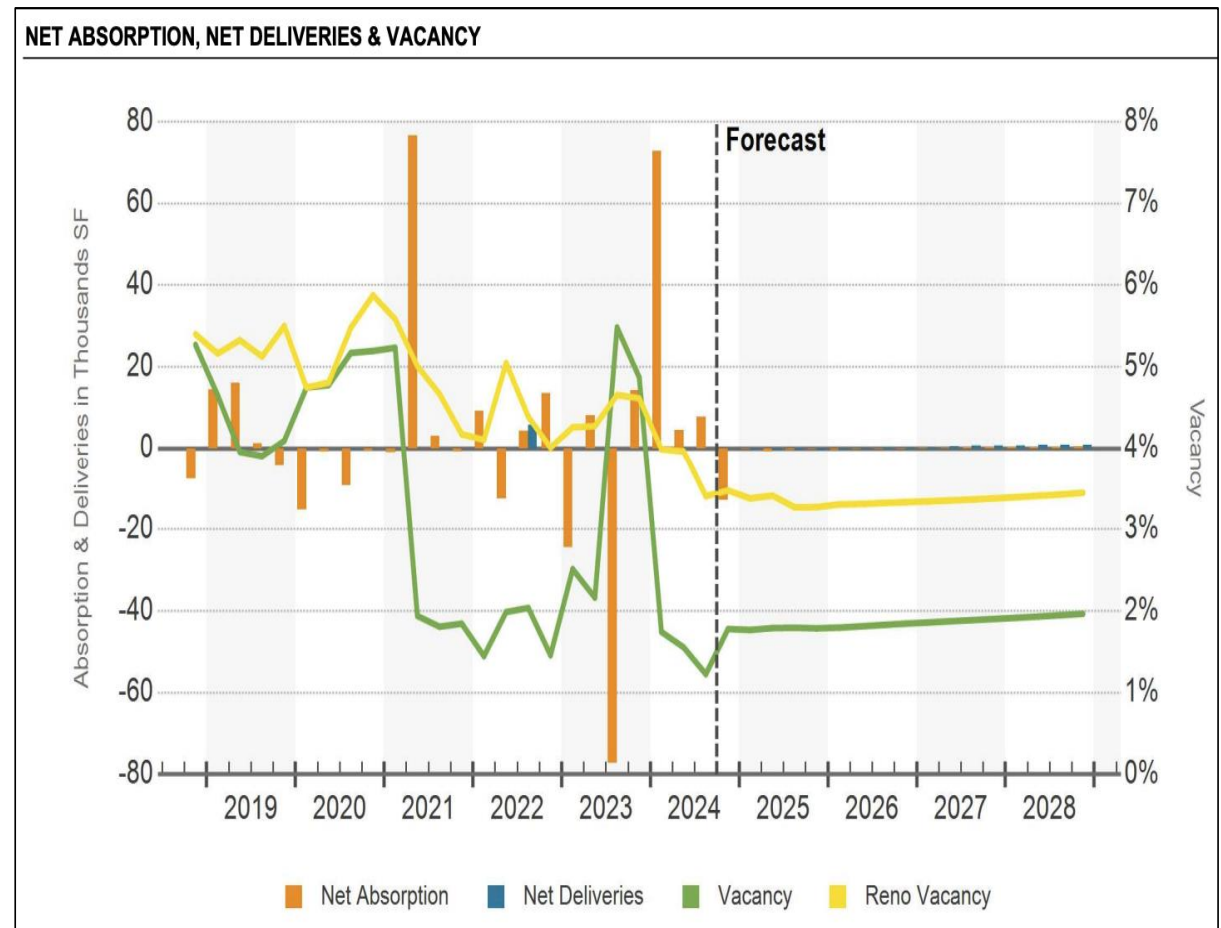
KEY INDICATORS							
Current Quarter	RBA	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	0	-	-	-	0	0	0
Power Center	310,345	3.0%	\$18.46	3.0%	(3,700)	0	0
Neighborhood Center	466,866	4.8%	\$16.84	6.1%	0	0	0
Strip Center	211,357	0%	\$14.84	0%	800	0	0
General Retail	1,339,189	0.6%	\$16.59	0.6%	(8,698)	0	0
Other	0	-	-	-	0	0	0
Submarket	2,327,757	1.7%	\$16.73	2.0%	(11,598)	0	0
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy	-3.2% (YOY)	7.6%	1.9%	14.8%	2015 Q3	1.2%	2024 Q3
Net Absorption SF	75.5K	20,196	2,779	189,315	2018 Q1	(89,048)	2015 Q3
Deliveries SF	0	12,543	2,492	148,063	2011 Q3	0	2024 Q3
Market Asking Rent Growth	2.9%	1.0%	1.9%	5.4%	2023 Q2	-7.5%	2010 Q3
Sales Volume	\$24.4M	\$9.4M	N/A	\$39.2M	2022 Q2	\$0	2010 Q1



Historical Submarket Performance

Hunden's key takeaways from its assessment of historical performance is summarized below:

- Over the past five years, the Kietzke submarket has seen only one new retail development, totaling 5,600 square feet, which was completed in 2022.
- Submarket vacancy has historically outperformed the greater Reno market, with current vacancy levels about two percent lower than the Reno market. However, asking rents in the Reno market are around \$22 per square foot, compared to \$16 in the Kietzke submarket.
- Several quarters have had absorption levels nearing 80,000 square feet which have significantly impacted the submarket's vacancy, reflecting the limited retail supply in the area.

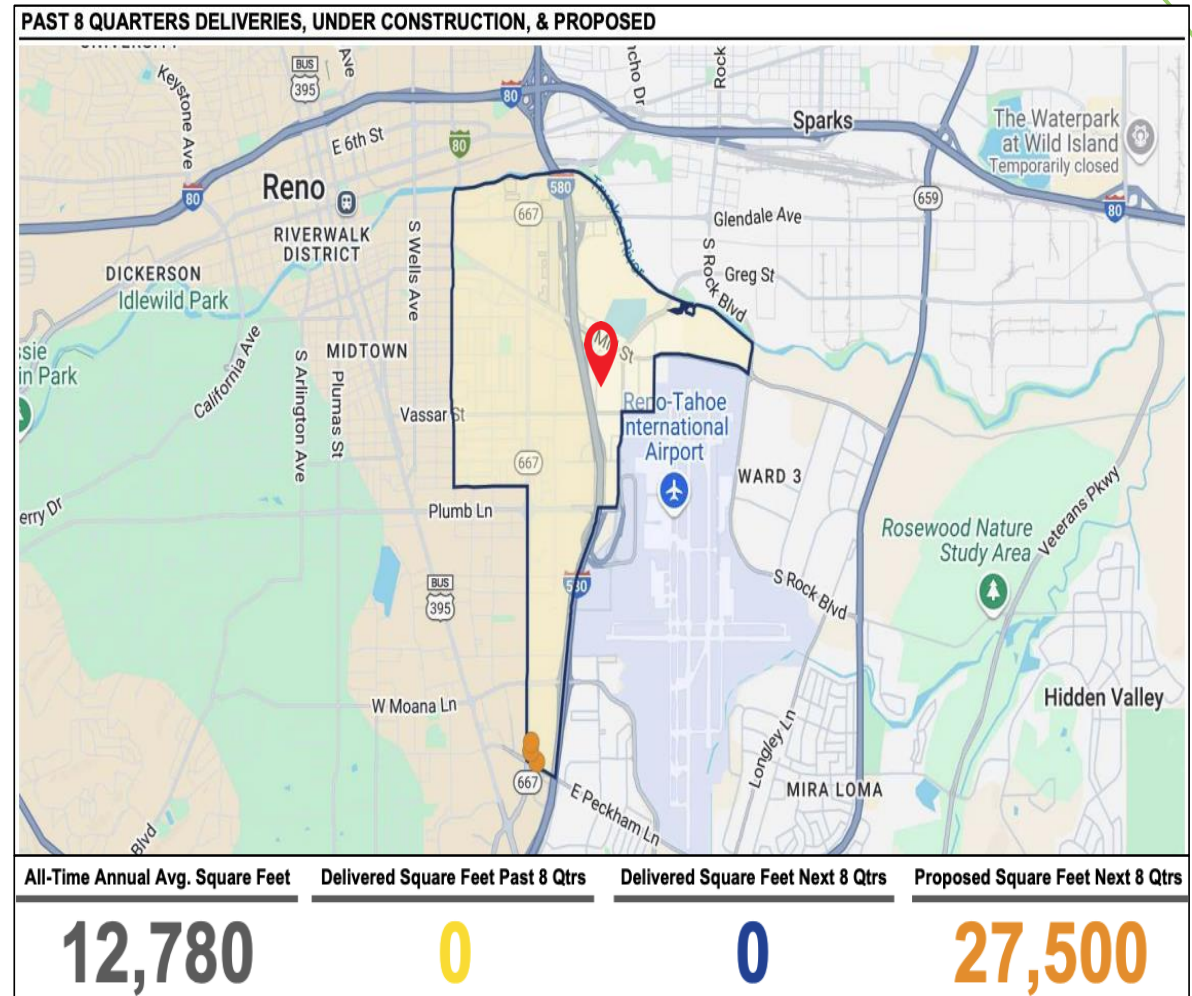


Source: CoStar

Development Pipeline

Hunden's key takeaways regarding the development pipeline are summarized below:

- Within the past five years, the submarket has delivered 5,600 square feet of new space and demolished 200 square feet (service station).
- The submarket has seen limited construction activity, yet nearly 30,000 square feet of retail space is currently proposed, indicating a demand for additional retail space in the area.
- The three proposed developments are all located within the southern area of the Keitzke submarket and are part of the same proposed clustered retail development.



PROPOSED						
Property Name/Address	Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
1 Build to Suit Retail Kietzke Ln	★★★★★	12,500	1	Jan 2025	Nov 2025	Kampar Corporation Kampar Corporation
2 Build to Suit Retail Kietzke Ln	★★★★★	10,000	1	Dec 2024	Dec 2025	- Kampar Corporation
3 Build to Suit Retail Kietzke Ln	★★★★★	5,000	1	Feb 2025	Dec 2025	- Kampar Corporation

Source: CoStar

Hotel

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Hotel Market Summary

Hunden's key takeaways from the hotel market are as follows:

Hotel Performance: The local market has a significant supply of Economy and Midscale properties, with higher-scale properties achieving stronger occupancy and ADR levels. Although summer occupancy is strong, weak off-season demand has led to lower annual occupancy rates.

Interview Feedback: Few hotel properties in Reno operate independently of casinos. These properties exhibit strong performance, driven by high occupancy rates from corporate travelers and achieving some of the highest ADRs in the market.

Future Outlook: RevPAR has risen significantly since 2022, largely driven by an increase in ADR. While the local market has experienced minimal new deliveries since 2020, the pipeline has begun to pick up, suggesting the potential for longer stabilization periods.



Demand

Occupancy 64.2%
YOY Occupancy
Growth -5.8%



ADR

Avg. Rate \$188
RevPAR \$121



New Developments

Delivered Past 2 Yrs 0 Rooms
Delivered Next 2 Yrs 260 Rooms
Proposed Next 2 Yrs 327 Rooms

Local Lodging Attributes

Hunden's key takeaways from its assessment of local lodging attributes is summarized below:

- The local market has limited inventory of Upper Midscale and Upscale rooms. Although Upper Upscale supply has one of the largest total room counts, it is concentrated in just two properties, while the Economy supply is spread across 34 properties.
- The average property age is over 40 years, with Upscale and Upper Midscale properties having the youngest average age.

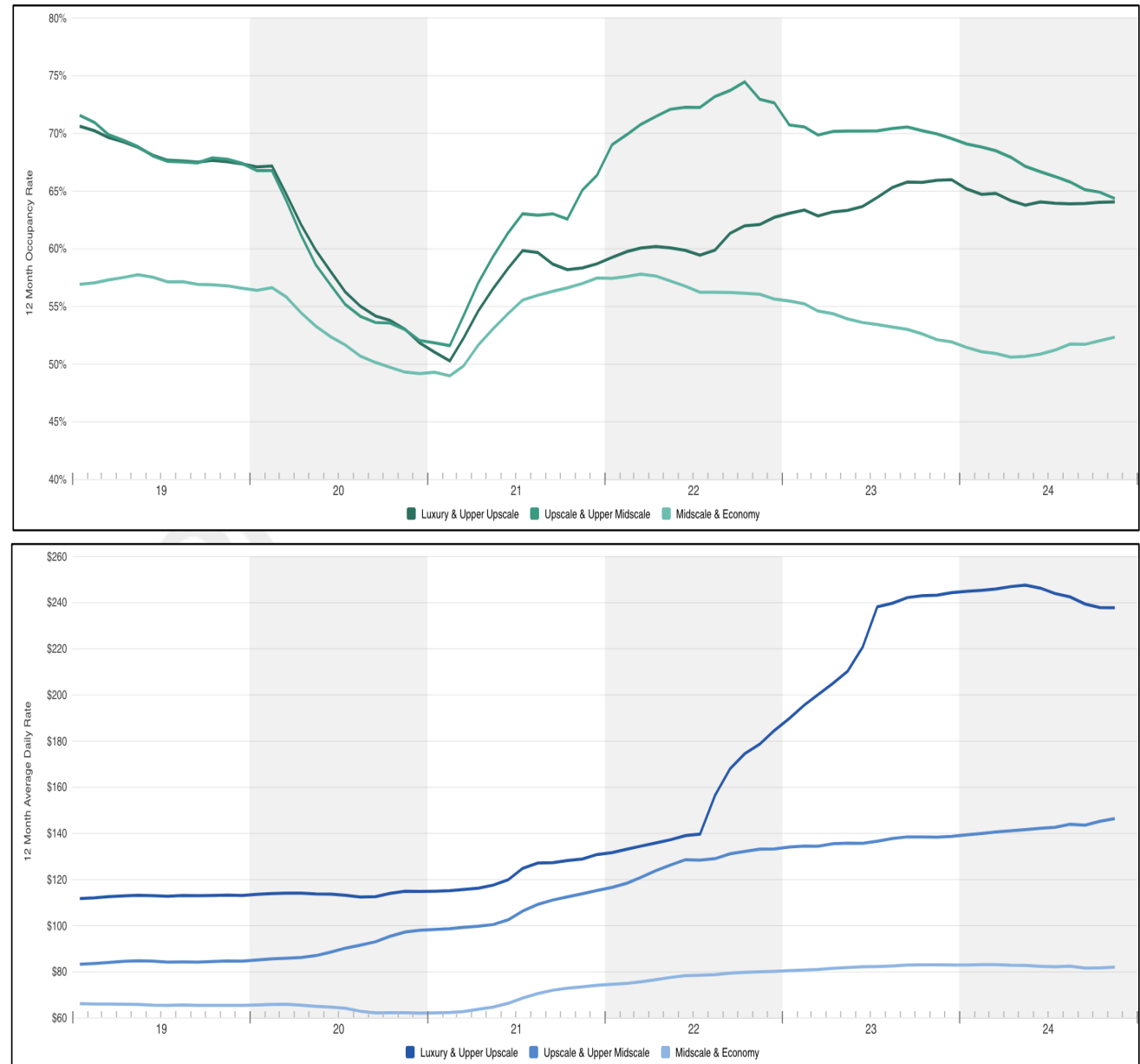
Lodging Summary (45 Closest Hotels)					
Chainscale	Rooms	% of Total Rooms	Properties	Avg Rooms per Hotel	Avg Year Built
Luxury	0	0%	0	–	–
Upper Upsc	2,215	30%	2	1,108	Jun-89
Upscale	518	7%	4	130	Mar-02
Upper Mid	287	4%	3	96	Mar-99
Midscale	1,881	26%	2	941	Apr-62
Economy	2,424	33%	34	71	Jul-59
Total/Average	7,325	100%	45	469	Jul-82

Source: Smith Travel Research

Performance by Scale

Hunden utilized CoStar to analyze hotel performance by scale for properties within three miles of the Project site. The key takeaways are summarized below:

- Upscale and Upper Midscale properties have experienced the highest post-pandemic occupancy rates, with Luxury and Upper Upscale properties narrowing the gap in occupancy levels in 2024.
- Luxury and Upper Upscale properties command significantly higher Average Daily Rates (ADR), with a notable surge in 2022 compared to other segments.



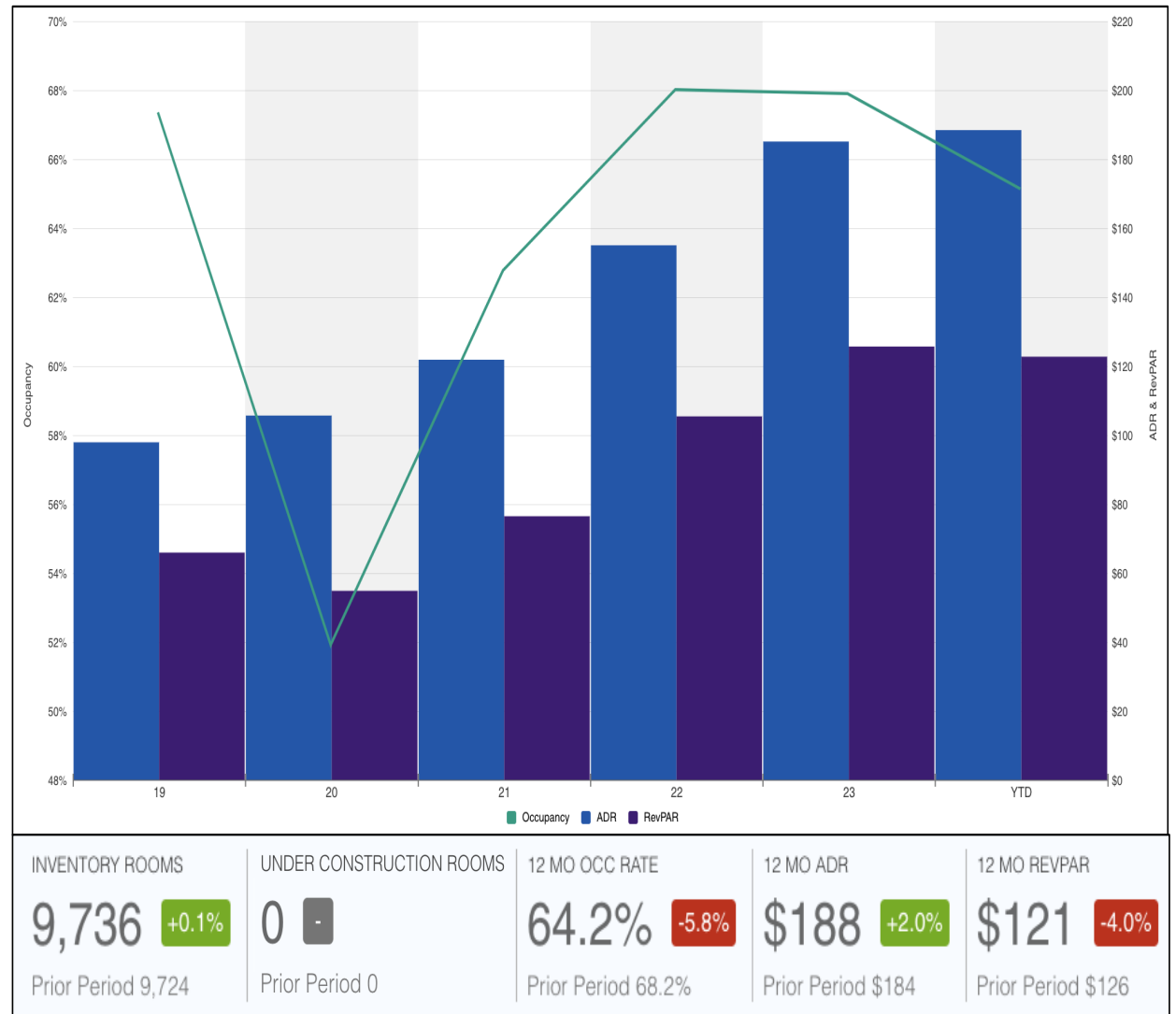
Source: CoStar

Reno Hotel Overview

The following slides summarize Hunden's assessment of hotel performance for Upper Midscale, Upscale, and Upper Upscale properties within three miles of the Project site, based on CoStar data.

The local market comprises approximately 9,700 rooms, with zero rooms currently under construction.

Occupancy in 2024 has decreased to approximately 65 percent, marking a decline compared to levels in 2022 and 2023. However, RevPAR has been strongest over the past two years compared to prior periods.

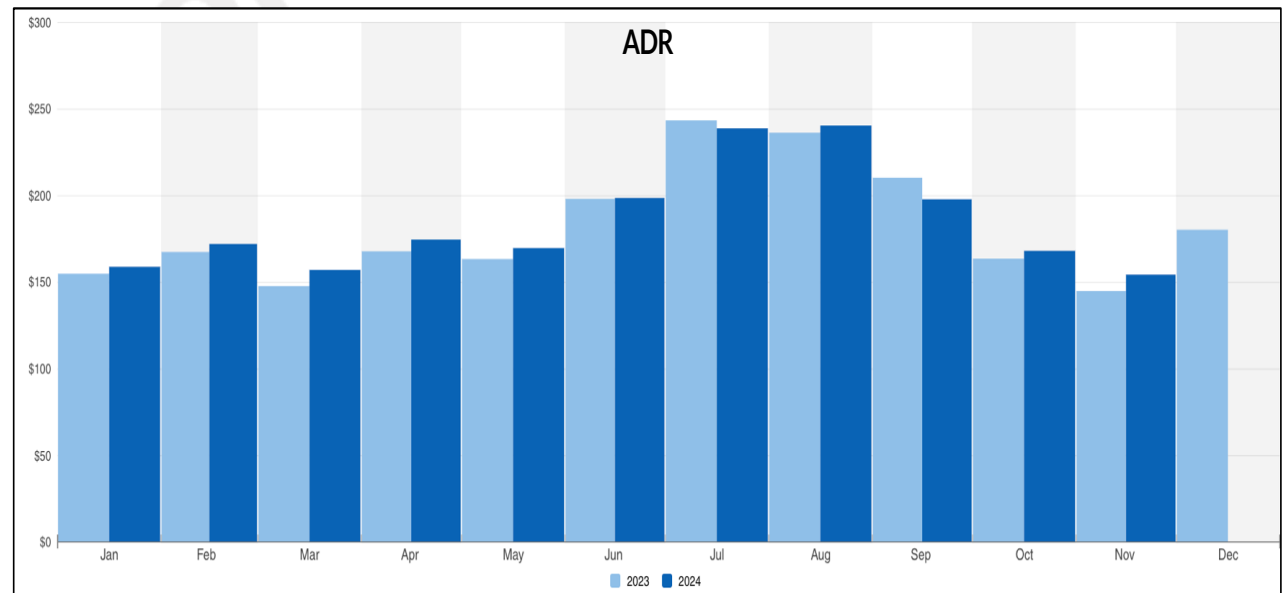
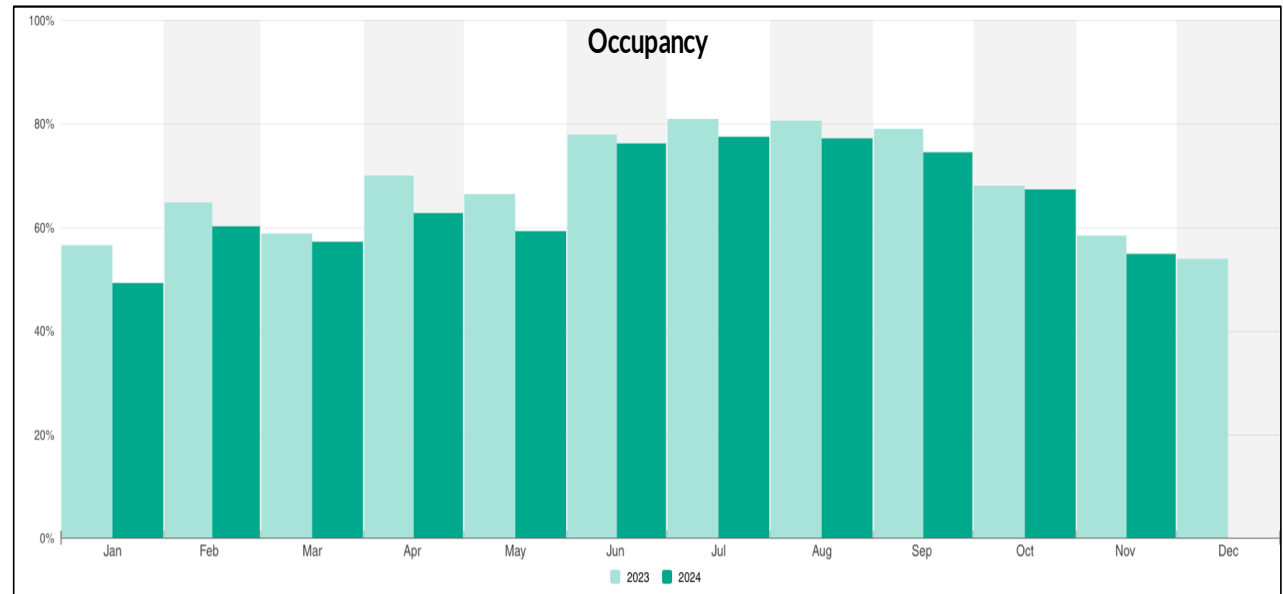


Source: CoStar

Seasonality

Hunden's key takeaways from its assessment of seasonality is summarized below:

- Occupancy is strongest from June to September and lowest from November to March. Demand is slightly lower across all months in 2024 compared to 2023.
- ADR follows a similar seasonal pattern to occupancy, with rates peaking in July and August. Seasonality trends indicate lower overall tourism activity during the winter months.



Development Pipeline

Hunden's key takeaways regarding the development pipeline are summarized below:

- Despite a significant number of demolitions for economy properties, there have been no demolitions of higher-scale properties.
- Since 2020, only one new property has been built, which includes the 170-room Element.
- The proposed pipeline, which features several hotel projects in the area, suggests that the market may be becoming more attractive for hotel development.

	Scale	Rooms	Status
Element Reno Experience District	Upscale	170	Built 2022
Residence Inn by Marriott Reno Downtown	Upscale	133	Final Planning
La Quinta Inn & Suites Reno	Upper Midscale	85	Proposed
Home2 Suites by Hilton Sparks Reno	Upper Midscale	109	Proposed

Multifamily

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Multifamily Submarket Summary

Hunden analyzed two multifamily submarkets within Washoe County to fully understand the current realities of the area. Hunden's key takeaways from the multifamily market are as follows:

- **Vacancy Stabilization:** Vacancy rates in both submarkets are expected to decline due to strong population growth in Reno. The Central/Airport submarket currently has a 10-percent vacancy rate, with no new units scheduled for delivery in the next two years, which will support further stabilization. In downtown Reno, vacancies remain elevated at 15 percent, but upcoming demand is expected to help absorb new supply.
- **Demand for Lower-Rent Properties:** Lower-rent properties are the most sought-after across both submarkets. In the Central/Airport area, average rent is \$1,418, with strong absorption of 280 units over the past year. Downtown Reno, where average rent is \$1,249, continues to see higher demand for affordable units, while higher-priced properties struggle with slower absorption and elevated vacancies.

Central/Airport Multi-Family

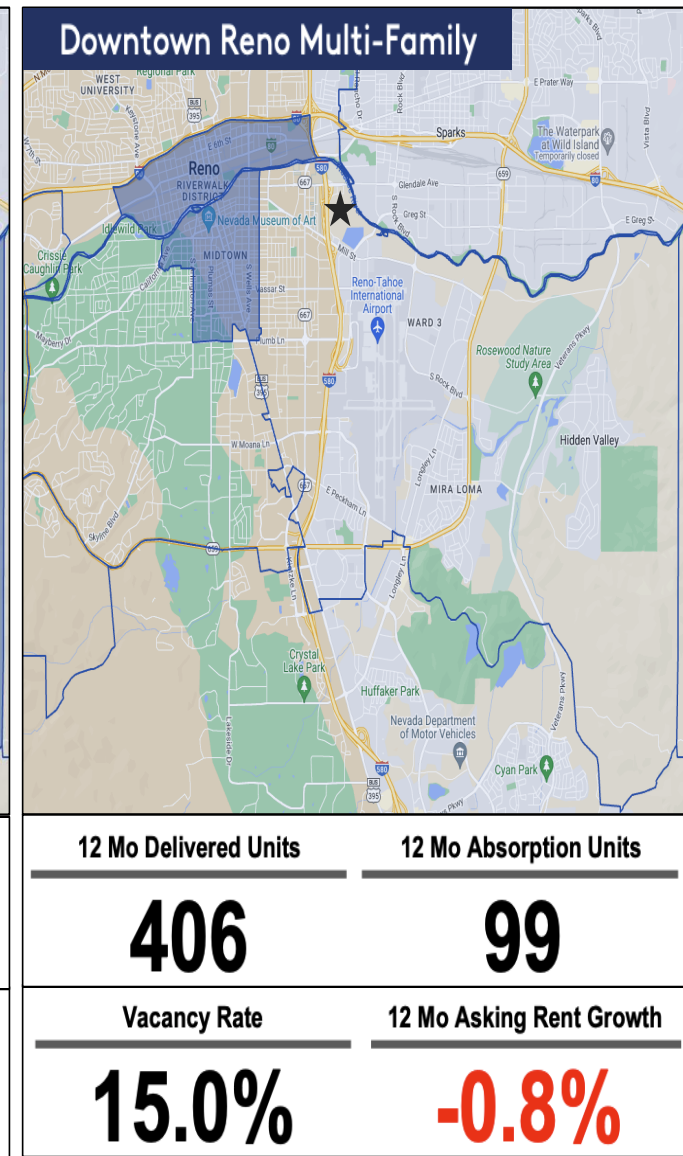
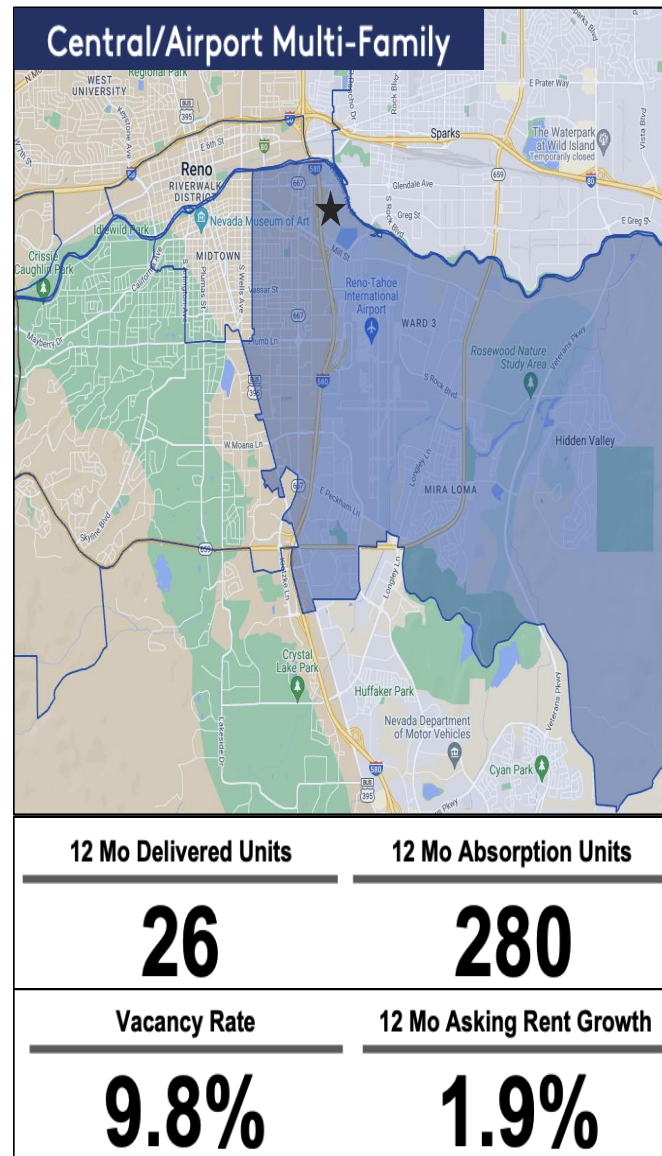
12-Month Key Market Indicators	Average Rent	Absorption	Vacancy	Rent Growth
	\$1,418	280 Units	9.8%	1.9%
Development Pipeline	Annual Average	Delivered Past 2 Yrs	Delivered Next 2 Yrs	Proposed Next 2 Yrs
	52 Units	602 Units	0 Units	438 Units

Downtown Reno Multi-Family

12-Month Key Market Indicators	Average Rent	Absorption	Vacancy	Rent Growth
	\$1,249	99 Units	15.0%	-0.8%
Development Pipeline	Annual Average	Delivered Past 2 Yrs	Delivered Next 2 Yrs	Proposed Next 2 Yrs
	48 Units	587 Units	243 Units	392 Units

Multifamily Submarket Overview

- **Vacancy Rates:** The average vacancy rate is about 10 percent in the Central/Airport submarket and 15 percent in the Downtown Reno submarket. The elevated downtown vacancy is driven by the delivery of 400 new units over the past year, compared to just 26 units in the Central/Airport area.
- **Asking Rent Growth:** The Central/Airport submarket saw positive rent growth of two percent, which reflects steady demand and limited new supply. In contrast, downtown Reno experienced a decline in asking rents due to oversupply and lower absorption.
- **Absorption Trends:** With 280 units absorbed in the Central/Airport submarket, demand is suggested to be strong. In downtown Reno, performance indicators suggest a greater risk for oversupply.



Historical and Forecasted Multifamily Submarket Performance

- Vacancy Rates:** Vacancy rates vary significantly by product quality. In the Central/Airport submarket, higher-quality four- and five-star units have a nearly 30-percent vacancy rate, while vacancy for one- and two-star units remain low. Downtown Reno faces more extreme vacancy challenges, with four- and five-star units over 40 percent, compared to 10 percent for one- and two-star units.
- Asking Rents:** In the Central/Airport submarket, asking rents are highest for four- and five-star units at \$2,128, while one- and two-star units average just \$1,185. These rates exceed those in downtown Reno, where four- & five-star units rent for \$1,727 and one- and two-star properties average \$1,032. This suggests that properties offering more affordable rents perform better in Reno.

Central/Airport Multi-Family

Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr Units
4 & 5 Star	986	27.0%	\$2,128	\$2,116	31	0	0
3 Star	3,515	7.8%	\$1,358	\$1,344	9	0	0
1 & 2 Star	2,667	6.1%	\$1,185	\$1,177	1	0	0
Submarket	7,168	9.8%	\$1,418	\$1,406	41	0	0

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy	-3.6% (YOY)	6.7%	7.5%	14.1%	2023 Q2	2.9%	2017 Q2
Absorption Units	280	34	108	236	2024 Q3	(182)	2009 Q2
Delivered Units	26	52	43	634	2021 Q4	0	2024 Q2
Demolished Units	0	0	2	0	2024 Q3	0	2024 Q3
Asking Rent Growth	1.9%	2.7%	3.6%	7.8%	2018 Q2	-6.5%	2009 Q4
Effective Rent Growth	6.2%	2.6%	4.3%	8.7%	2021 Q4	-6.6%	2009 Q4
Sales Volume	\$0	\$21.2M	N/A	\$72.8M	2022 Q3	\$0	2024 Q3

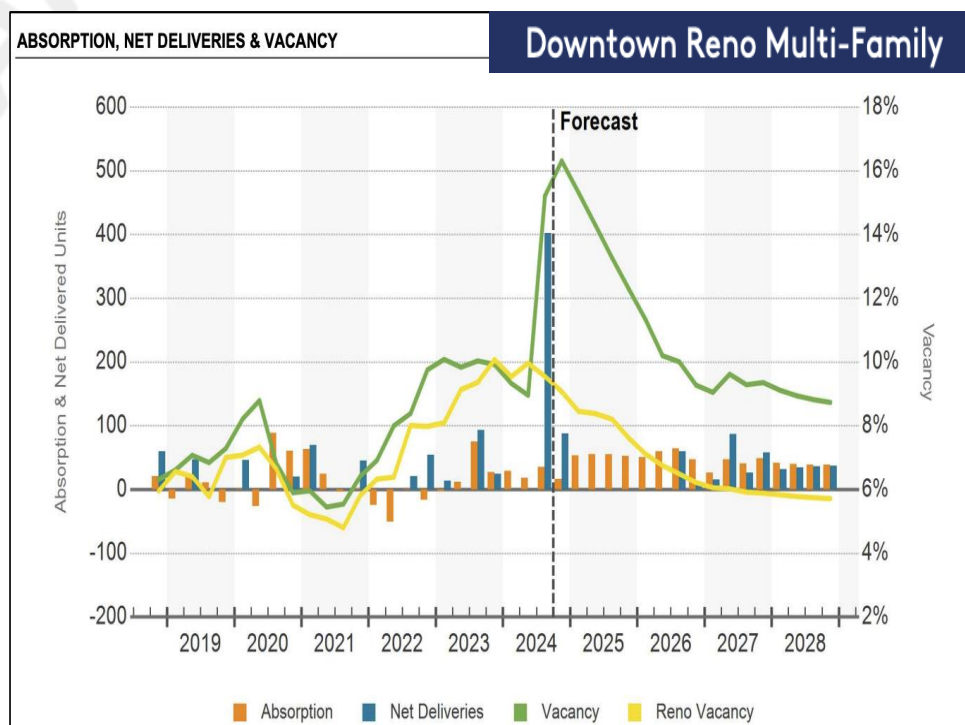
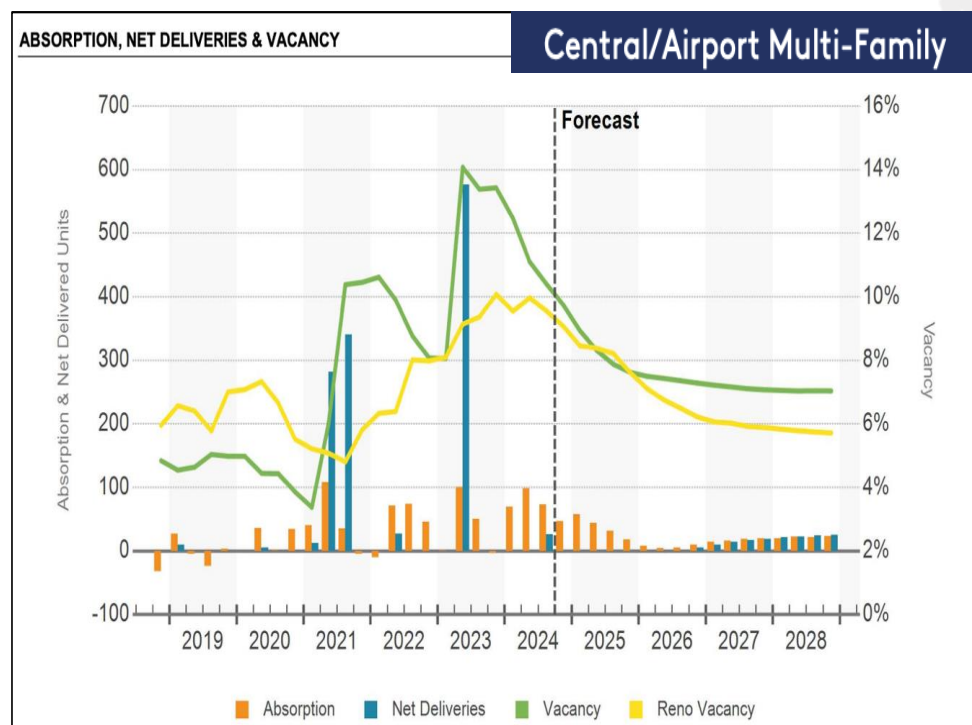
Downtown Reno Multi-Family

Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr Units
4 & 5 Star	931	43.0%	\$1,727	\$1,665	11	0	148
3 Star	1,579	6.8%	\$1,193	\$1,184	1	0	95
1 & 2 Star	2,778	10.3%	\$1,032	\$1,025	(1)	0	0
Submarket	5,288	15.0%	\$1,249	\$1,228	11	0	243

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy	5.1% (YOY)	8.2%	10.6%	15.2%	2024 Q3	3.8%	2017 Q3
Absorption Units	99	30	176	236	2021 Q2	(89)	2022 Q4
Delivered Units	406	41	168	426	2024 Q3	0	2016 Q2
Demolished Units	0	0	2	0	2024 Q3	0	2024 Q3
Asking Rent Growth	-0.8%	2.3%	3.0%	8.4%	2001 Q1	-6.5%	2009 Q4
Effective Rent Growth	-1.6%	2.3%	3.0%	8.9%	2001 Q1	-6.6%	2009 Q4
Sales Volume	\$17.1M	\$22.6M	N/A	\$123.9M	2022 Q1	\$790K	2007 Q2

Historical and Forecasted Multifamily Submarket Performance

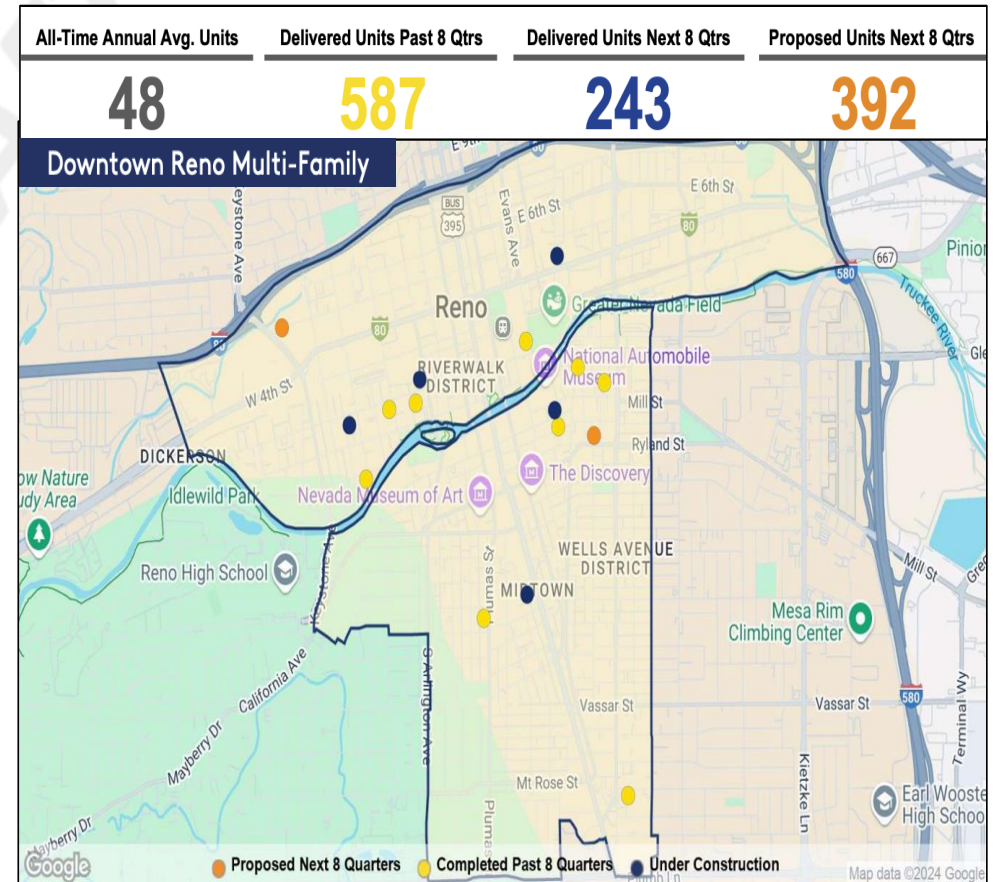
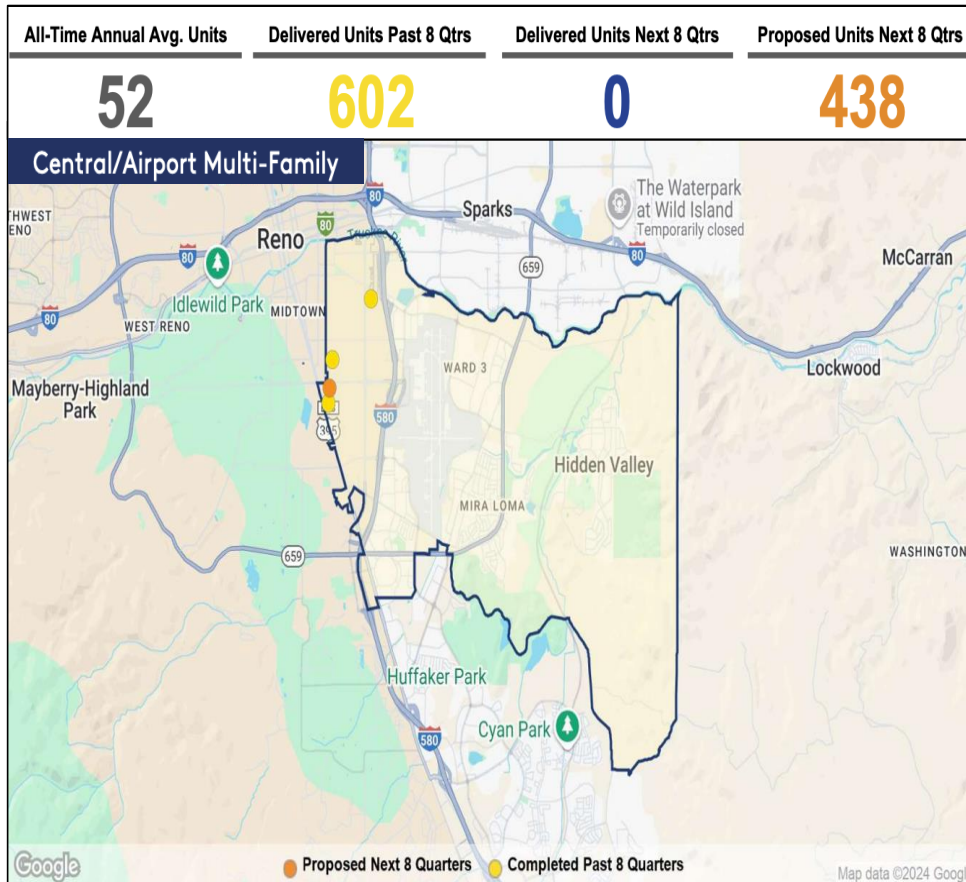
- **Stabilizing Vacancy Rates:** Both the Central/Airport and Downtown Reno submarkets are projected to see significant declines in vacancy rates over the next several years. In the Central/Airport submarket, vacancy is forecasted to stabilize at around **six to eight percent** by 2026. Similarly, the Downtown Reno submarket, despite its current high vacancy levels, is expected to stabilize between **eight to 10 percent** as population growth in Reno drives demand and absorbs the recent influx of new units.
- **Impact of Population Growth:** Reno's growing population is a key factor supporting this stabilization. Downtown Reno, although experiencing short-term challenges due to oversupply, will benefit from increased household formation and continued economic expansion in the region.



Source: CoStar

Multifamily Development Pipeline

- **Recent Deliveries:** The Central/Airport submarket has delivered 600 new units in the past two years, significantly exceeding its all-time annual average of around 50 units. This followed a similar trend in the Downtown Reno submarket, reflecting a period of substantial new supply.
- **Construction Pipeline:** While no units are scheduled for delivery in the Central/Airport submarket over the next two years, there is a robust pipeline of proposed units. In Downtown Reno, about 250 units are set to be delivered within the next two years, with an additional 400 units currently proposed, indicating continued development activity in the area.



Recent Multifamily Deliveries

Source: CoStar

The adjacent figures represent recent multifamily deliveries in Reno, which are typically categorized as 4 & 5-star properties due to their superior condition and quality. In recent years, there has been a notable increase in deliveries to address the housing shortage, leading to higher vacancy rates as these units are absorbed. However, absorption has been relatively slow, as the demand and need for affordable units in the area exceeds that for luxury properties.



The Bridge at Victorian Square

Built: 2018
Vacancy: 6.9%
Units: 194
Avg. Unit SF: 644
Avg. Asking Rent: \$1,528



The Deco Apartments

Built: 2021
Vacancy: 4.0%
Units: 209
Avg. Unit SF: 743
Avg. Asking Rent: \$1,757



Atwood

Built: 2023
Vacancy: 46.5%
Units: 359
Avg. Unit SF: 965
Avg. Asking Rent: \$2,504



The Atrium

Built: 2019
Vacancy: 6.8%
Units: 132
Avg. Unit SF: 744
Avg. Asking Rent: \$1,496



Ballpark Apartments

Built: 2024
Vacancy: 30.7%
Units: 368
Avg. Unit SF: 768
Avg. Asking Rent: \$2,200



The Rivet

Built: 2023
Vacancy: 30.0%
Units: 217
Avg. Unit SF: 305
Avg. Asking Rent: \$935

Workforce Housing Market

The Project is set to include 300 multifamily units, 150 of which are designated as workforce housing. Local brokers emphasize that, while the majority of new developments in the area address general housing needs, workforce housing remains particularly critical. It not only provides affordable living options for essential workers but also promotes economic diversity and stability within the community. By ensuring that workers can live near their places of employment, these developments reduce commute times, enhance local economic activity, and support a sustainable urban environment. Workforce housing is a pivotal element in maintaining balanced urban growth and meeting the City's long-term economic and social goals.



Office

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Office Submarket Summary

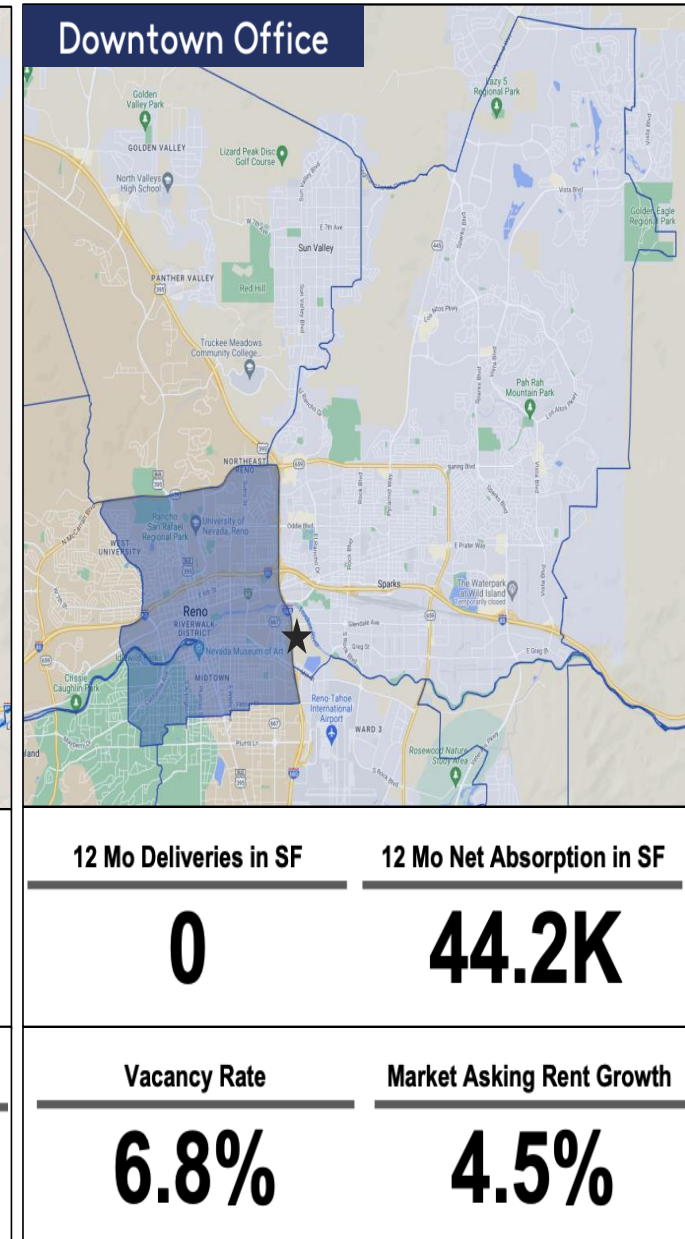
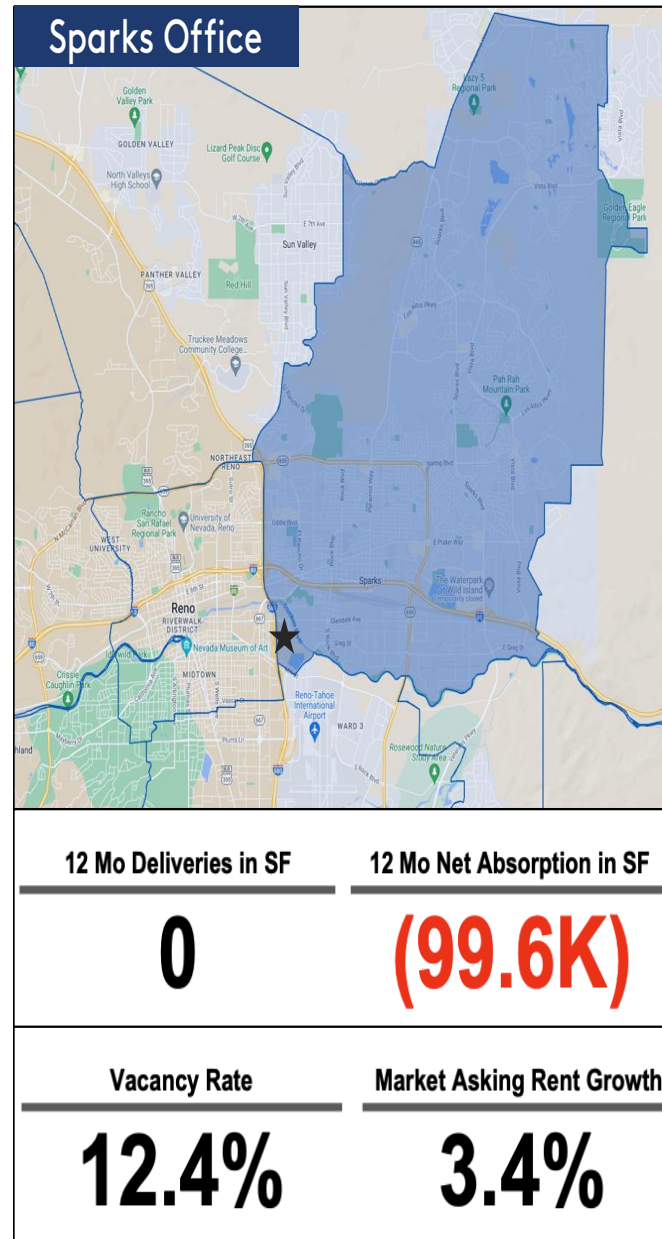
Hunden analyzed two office submarkets within Washoe County to fully understand the current realities of the area. Hunden’s key takeaways from the office market are as follows:

- Submarket Performance:** The Sparks office submarket struggles with **nearly 100,000 square feet** of negative absorption and high vacancy levels, with no new deliveries or proposals. Downtown Reno shows stronger demand and absorption, but the pipeline of planned deliveries could create oversupply challenges.
- Interview Feedback:** Interviews with local brokers suggested that the Project site is not ideal for office space due to its location. While market rents are increasing, they are still not strong enough to overcome the high construction costs.
- Future Outlook:** Downtown Reno’s rent growth and activity remain strong but face oversupply risks. Sparks’ lower rent growth and lack of construction highlight weak demand and high vacancies.

Sparks Office				
12-Month Key Market Indicators	Average Rent	Absorption	Vacancy	Rent Growth
	\$21.02 PSF	-99,600 SF	12.4%	3.4%
Development Pipeline	Annual Average	Delivered Past 2 Yrs	Delivered Next 2 Yrs	Proposed Next 2 Yrs
	3,580 SF	0 SF	0 SF	0 SF
Downtown Office				
12-Month Key Market Indicators	Average Rent	Absorption	Vacancy	Rent Growth
	\$25.28 PSF	44,200 SF	6.8%	4.5%
Development Pipeline	Annual Average	Delivered Past 2 Yrs	Delivered Next 2 Yrs	Proposed Next 2 Yrs
	1,840 SF	0 SF	191,251 SF	84,524 SF

Office Submarket Overview

- **Rent Increases:** With no new office space delivered in the past year, prime office rents have increased by more than three percent in both submarkets.
- **Fluctuating Absorption:** The Downtown Office submarket recorded positive absorption of office space over the past year. In contrast, the Sparks submarket experienced nearly 100,000 square feet of negative absorption, which highlights the lack of demand in that area.
- **Vacancy Rates:** Negative absorption in the Sparks office submarket has driven vacancy rates to exceed 12 percent. Meanwhile, the Downtown Office submarket shows healthier performance with a vacancy rate below seven percent.



Source: CoStar

Historical Key Indicators Office Submarket

- **Higher Vacancy Levels:** The Sparks office submarket's overall vacancy rate is driven by limited demand for one- and two-star properties. In contrast, higher-quality office spaces in this submarket show significantly lower vacancy rates, below four percent. Meanwhile, the Downtown submarket struggles with higher vacancies in four- and five-star properties due to elevated asking rents.
- **Demand by Quality:** Lower-quality office spaces in both submarkets are driving negative absorption, yet vacancy is highest for four- and five-star properties downtown.
- **Market Asking Rent:** The Downtown office submarket commands significantly higher asking rents, which averages \$4 per square foot more than the Sparks office submarket.

Sparks Office

Source: CoStar

Current Quarter	RBA	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	0	-	-	-	0	0	0
3 Star	499,662	3.3%	\$23.32	4.7%	5,148	0	0
1 & 2 Star	670,553	19.1%	\$19.31	19.2%	(4,537)	0	0
Submarket	1,170,215	12.4%	\$21.02	13.0%	611	0	0

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy	8.5% (YOY)	12.0%	12.4%	24.7%	2009 Q1	3.1%	2023 Q3
Net Absorption SF	(99.6K)	9,439	(14,840)	79,417	2010 Q2	(108,753)	2024 Q3
Deliveries SF	0	3,459	0	29,037	2008 Q3	0	2024 Q3
Market Asking Rent Growth	3.4%	1.1%	2.0%	8.4%	2015 Q2	-11.3%	2009 Q3
Sales Volume	\$6.3M	\$6.6M	N/A	\$23.8M	2019 Q3	\$649.2K	2011 Q3

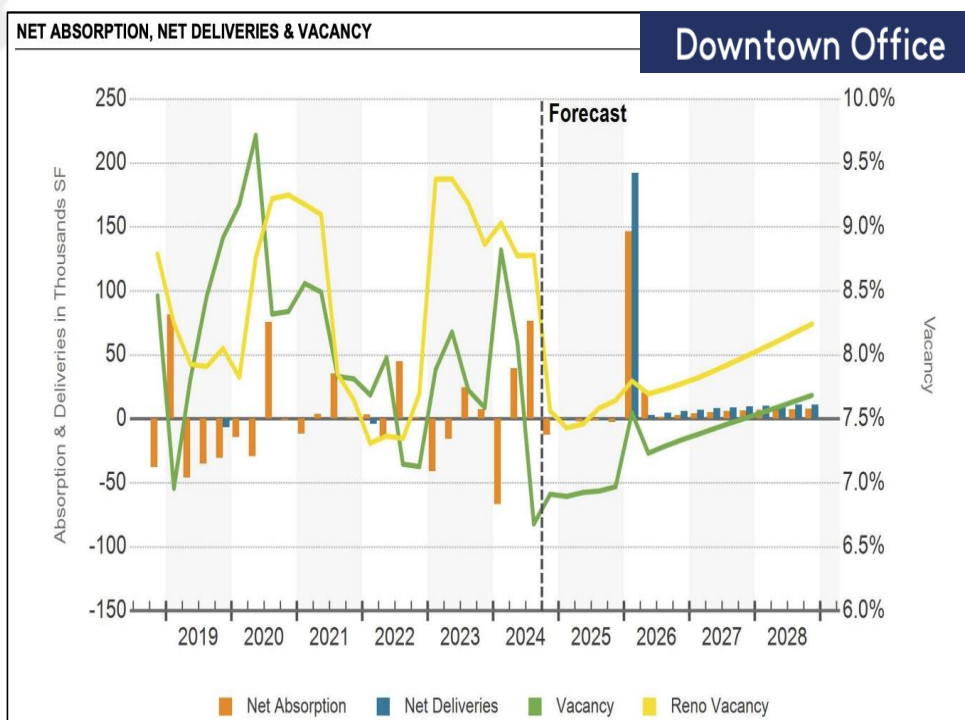
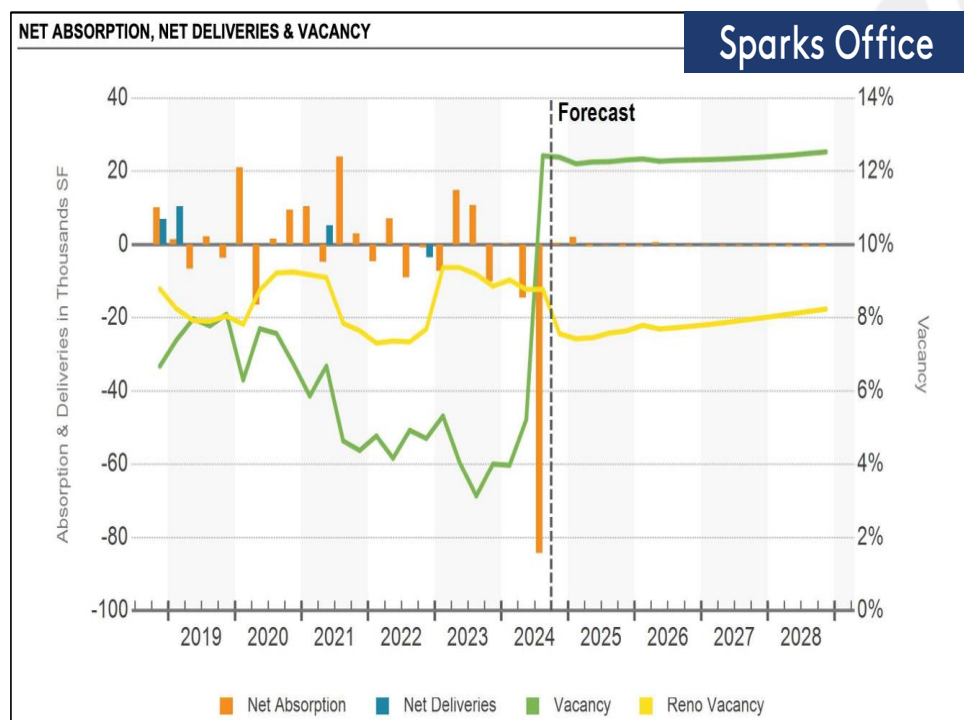
Downtown Office

Current Quarter	RBA	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	604,766	11.9%	\$29.66	9.2%	0	0	191,251
3 Star	2,744,653	6.1%	\$26.72	7.0%	1,399	0	0
1 & 2 Star	2,056,424	6.2%	\$21.67	6.9%	(7,482)	0	0
Submarket	5,405,843	6.8%	\$25.28	7.3%	(6,083)	0	191,251

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy	-0.8% (YOY)	10.7%	7.4%	15.5%	2011 Q1	6.7%	2024 Q3
Net Absorption SF	44.2K	8,761	55,569	170,919	2016 Q3	(205,713)	2010 Q4
Deliveries SF	0	1,925	61,808	31,763	2010 Q1	0	2024 Q3
Market Asking Rent Growth	4.5%	1.2%	1.9%	7.9%	2015 Q2	-9.8%	2009 Q3
Sales Volume	\$60.1M	\$30.2M	N/A	\$131.8M	2017 Q4	\$1.7M	2010 Q2

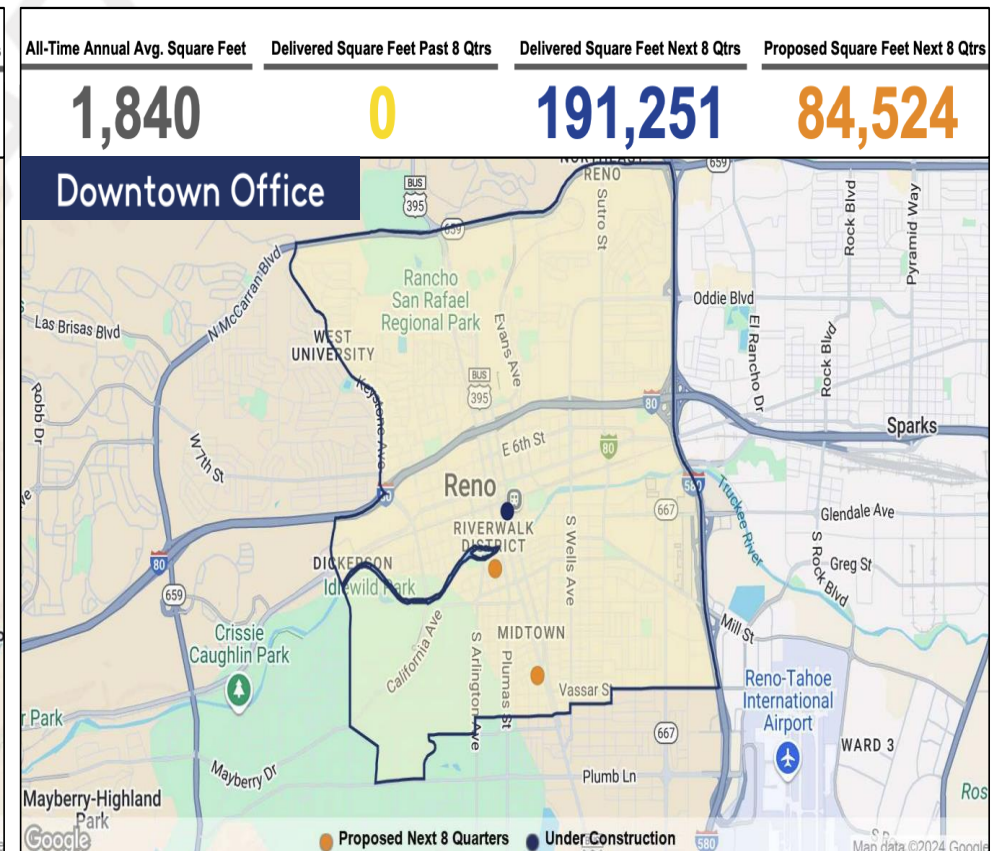
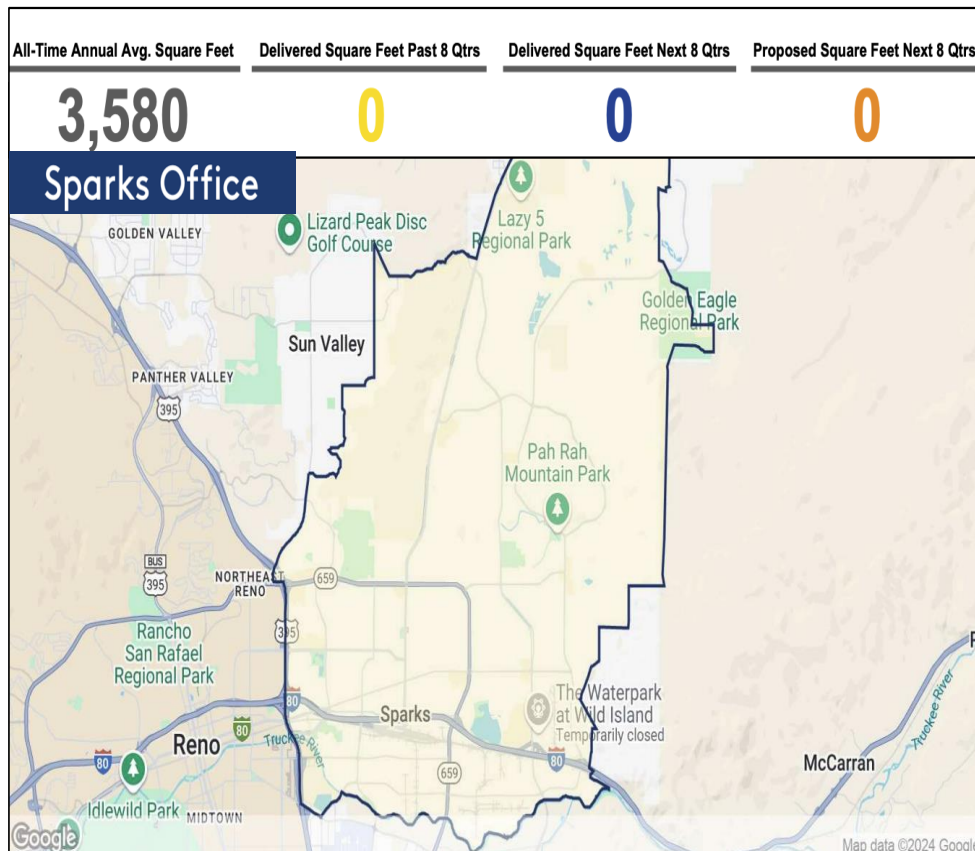
Historical and Forecasted Office Submarket Performance

- Projected Vacancy Levels:** While the Downtown office submarket currently maintains a vacancy rate below seven percent, projections by CoStar indicate an increase as planned office developments come online. In contrast, the Sparks office submarket is expected to maintain a high vacancy rate even with no new developments planned. The data indicates stagnant demand for additional office space in both submarkets.
- Absorption Trends:** The Sparks office submarket is projected to achieve moderate positive net absorption over the coming years. However, this improvement is not sufficient enough to reduce the area's significant vacancy levels, which are projected to remain above ten percent through 2028, as depicted in the graph. Meanwhile, the Downtown office submarket faces fluctuating absorption levels and sizable net deliveries through 2025, which is expected to cause vacancy rates to rise above eight percent. These trends indicate that new office developments in the Downtown submarket will struggle to achieve full absorption in the short term, which further contributes to elevated vacancy rates.



Office Development Pipeline

Over the past two years, neither submarket has seen any office space deliveries. For the Downtown office submarket, planned development indicates a significant pipeline, with nearly 200,000 square feet set to be delivered in the next two years. This exceeds the historical annual average of less than 2,000 square feet. An additional 85,000 square feet of office space is proposed, which could further challenge absorption levels in the market. In contrast, the Sparks office submarket has no new office deliveries or proposed developments. This lack of activity, combined with higher vacancy rates, indicates limited existing demand for office space in the area.



Case Studies and Lessons Learned

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Case Studies

Lessons to Learn by Vertical

There are several components of the Project that make it unique. Hunden delineated case studies into two different verticals to help show how the Project compares to greater trends. The first vertical relates to university-oriented arenas' funding and operation. The second vertical shows how other entertainment and sporting venues in the State of Nevada have been funded.

University Arena Funding Strategies & Leases

- KFC Yum! Center – Univ. of Louisville (KY)
- Ford Center – Univ. of Evansville (IN)
- Pinnacle Bank Arena – Univ. Nebraska-Lincoln (NE)
- Moody Center – Univ. Texas at Austin (TX)
- Lawlor Events Center – Univ. Nevada, Reno (NV)

Venue Funding in Nevada

- T-Mobile Arena – NHL Golden Knights
- Allegiant Stadium – NFL Raiders
- Future A's Stadium – MLB Athletics
- Lee's Family Forum – AHL Silver Knights
- Thomas & Mack Center – UNLV
- Cox Pavilion – UNLV
- Lawlor Events Center – UNR

Nationwide University Arena Structures

Funding Overview

	Case Studies				Project	Existing Arena
University Tenant	University of Louisville	University of Evansville	University of Nebraska	University of Texas at Austin	University of Nevada, Reno	University of Nevada, Reno
Arena Name (Year Built)	KFC Yum! Center (2010)	Ford Center (2011)	Pinnacle Bank Arena (2013)	Moody Center (2022)	Reno Arena (TBD)	Lawlor Events Center (1983)
Basketball Capacity	22,000	11,000	16,000	10,750	10,000+	12,000
Landlord	Louisville Arena Authority	City of Evansville	City of Lincoln	Austin Arena Company, LLC (OVG & UT)	Grand Sierra Resort	University of Nevada, Reno
Construction Cost	\$238 M	\$128 M	\$236 M	\$338 M	\$380 M	\$26 M
Main Funding Source	Public	Public	Public	Private	Private	Public
Bonds Issued	YES	YES	YES	NO	NO	YES
Off-site Taxes Used?	YES	YES	YES	NO	NO	YES
New Taxes Created?	NO	NO	YES	NO	NO	NO

University Arena Deal Points

Funding Overview

	Case Studies				Project	Current Arena
University Tenant	University of Louisville	University of Evansville	University of Nebraska	University of Texas at Austin	University of Nevada, Reno	University of Nevada, Reno
Arena Name (Year Built)	KFC Yum! Center (2010)	Ford Center (2011)	Pinnacle Bank Arena (2013)	Moody Center (2022)	Reno Arena (TBD)	Lawlor Events Center (1983)
Basketball Capacity	22,000	11,000	16,000	10,750	10,000+	12,000
Landlord	Louisville Arena Authority	City of Evansville	City of Lincoln	Austin Arena Company, LLC (OVG & UT)	Grand Sierra Resort	University of Nevada, Reno
Construction Cost	\$238 M	\$128 M	\$236 M	\$338 M	\$380 M	\$26 M
Main Funding Source	Public	Public	Public	Private	Private	Public
Bonds Issued	YES	YES	YES	NO	NO	YES
Off-site Taxes Used?	YES	YES	YES	NO	NO	YES
New Taxes Created?	NO	NO	YES	NO	NO	NO

Source: Various

University Arena Deal Points

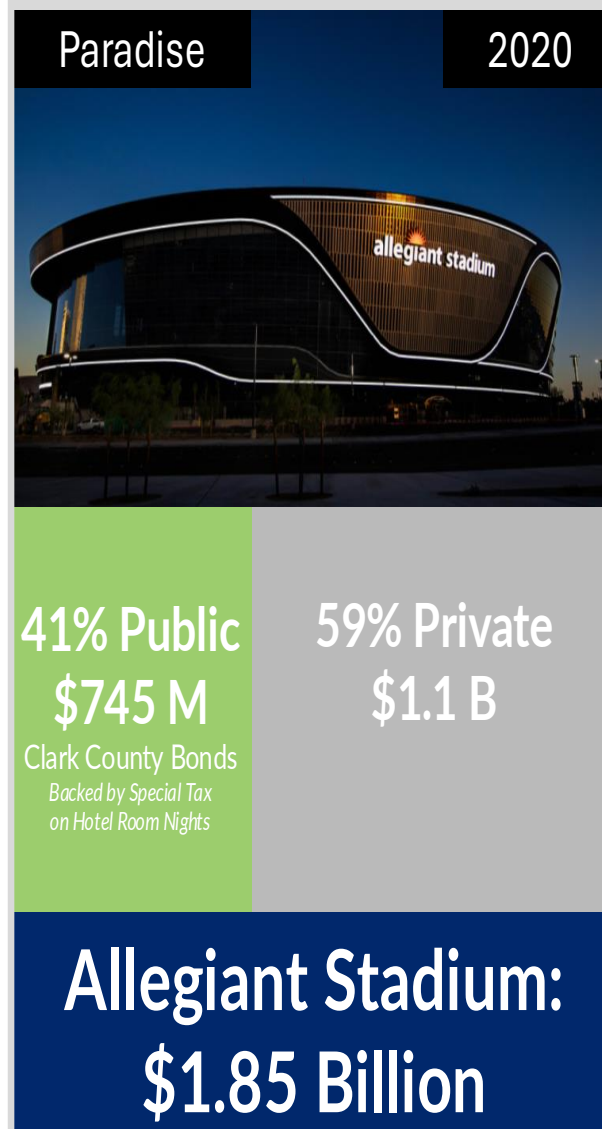
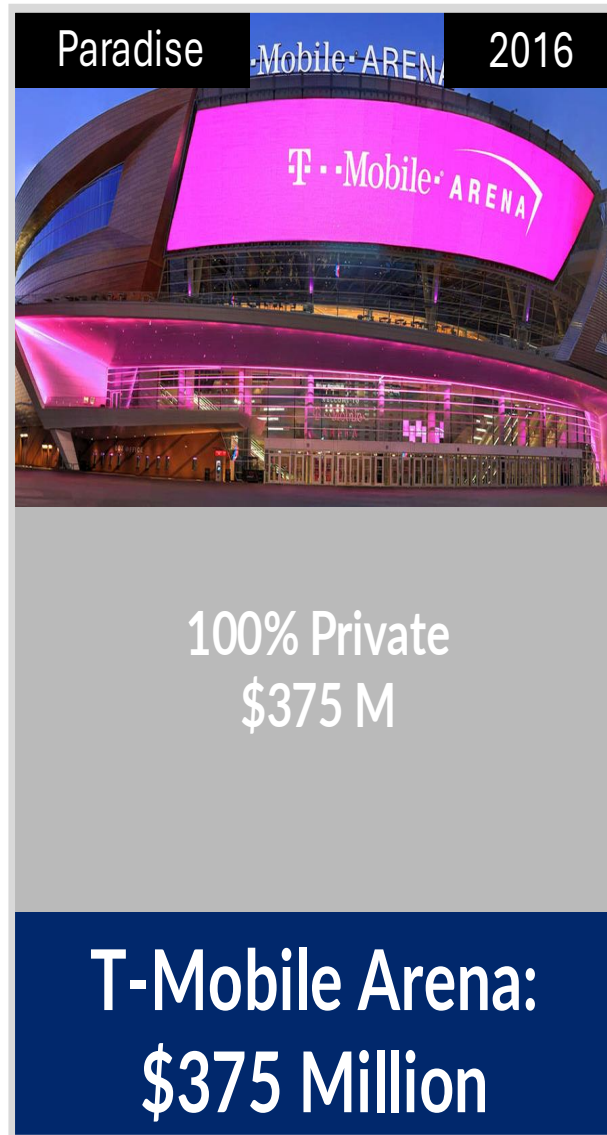
Lease Agreement Overview

	Case Studies				Project	Current Arena
Arena	KFC Yum! Center	Ford Center	Pinnacle Bank Arena	Moody Center	New Reno Arena	Lawlor Events Center
Tenants	Men's & Women's Basketball	Men's & Women's Basketball	Men's & Women's Basketball	Men's & Women's Basketball	Men's Basketball	Men's & Women's Basketball
Annual Rent	10%/5% Gross Tickets (Men's/Women's) 12% Suite Revenues \$2 Facility Charge	\$120,000 Max \$3 Facility Charge	\$750,000	\$0 Ownership Interest	TBD	\$0 Basketball Events \$3,500 per Other University Event
Reimburse Expenses?	Utilities on Game Day	NO	Game Day Expenses	NO	PARTIAL	NO
Food & Beverage Share	50% University	0% to University	\$300,000 Rent Credit to Uni.	0% F10 Yrs 50/50 Thereafter	0% University	100% University
Suite Sale Beneficiary	University	City	City	University	TBD	N/A

Source: Various

How Other Venues Were Funded in Nevada

Professional



How Other Venues Were Funded in Nevada

Semi-Professional or Collegiate

Henderson

2022



50% Public
\$42 M
Clark County Bonds
*Backed by Special Tax
on Hotel Room Nights*

50% Private
\$42 M

Lee's Family Forum:
\$84 Million

Las Vegas

1983



100% Public
\$30 M
State Slot Taxes

Thomas & Mack Ctr:
\$30 Million

Las Vegas

2001



100% Private
\$16.8 M
Donor Sponsorship and
Institutional Debt

Cox Pavilion:
\$16.8 Million

How Other Venues Were Funded in Nevada

Semi-Professional or Collegiate

Reno

1983



100% Public
\$26 M
State Slot Taxes

Lawlor Events Ctr:
\$26 Million

Reno

2028-29



100% Private
\$380 M
On-site Property Taxes
Remitted for ~6 Years

New Reno Arena:
\$380 Million

Real Estate Financial Analysis

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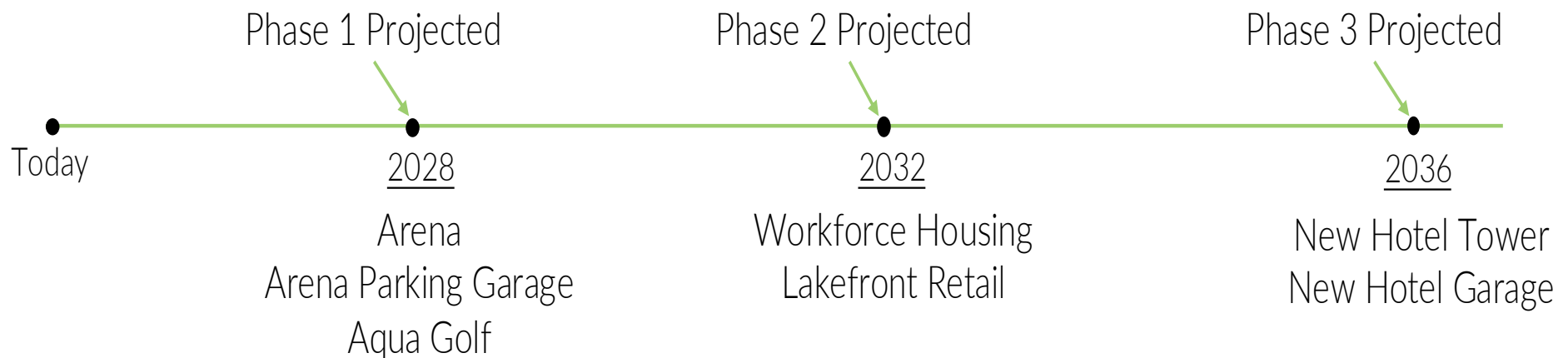


Development Timeline

The Project is structured into three phases, with projected completion in 2028, 2032, and 2036, respectively. The first phase involved the construction of a 10,000-seat arena, a parking garage, and aqua golf facilities. The second phase is set to develop 300 units of workforce housing along with 23,400 square feet of lakefront retail space. The concluding phase will feature the addition of a new 500-key hotel tower and its associated hotel garage. The total construction cost for all phases is estimated to exceed \$1 billion.



Total Construction Cost:
\$1 Billion



Arena Assumptions and Pro Forma

The main component of the Project is the 10,000-seat arena that will be the home venue for the UNR Men's Basketball Team and a potential minor league team. Once fully stabilized, the arena is expected to host approximately 95 events per year, with an annual attendance exceeding 550,000 people.

Event	# of Events	Avg. Attendance	Avg. Ticket Price/Rental Rate
UNR Basketball	17	7,786	\$41.50
Minor League Hockey	39	4,449	\$34.56
Major Concert	5	9,000	\$89.17
Minor Concert	7	7,500	\$66.88
Family Show	6	6,500	\$44.58
Sporting Event	6	5,000	\$25.00
Rentals/Banquets	15	5,000	\$35,000 (rental)
Total/Average	95	5,761	\$49.32

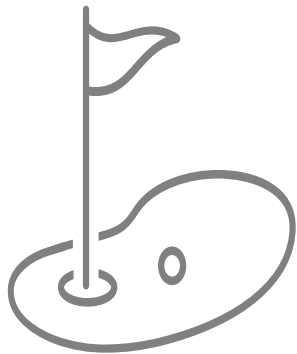
Stabilized Annual Attendance: **553,900**

Reno Arena Proforma Building (\$000s)	2028 Year 1	2029 Year 2	2030 Year 3	2031 Year 4	2032 Year 5	2037 Year 10
Cash Flows from Tenant Operations						
(+) Premium	\$ 9,251	\$ 9,619	\$ 9,935	\$ 10,243	\$ 10,550	\$ 12,231
(+) Ticket Sales	\$ 5,997	\$ 6,176	\$ 6,362	\$ 6,553	\$ 6,749	\$ 7,824
(+) Facility Fee and Rebate	\$ 1,388	\$ 1,388	\$ 1,388	\$ 1,388	\$ 1,388	\$ 1,388
(+) Concessions, Net	\$ 2,447	\$ 2,520	\$ 2,596	\$ 2,674	\$ 2,754	\$ 3,193
(+) Merch, Net	\$ 512	\$ 528	\$ 544	\$ 560	\$ 577	\$ 668
(+) Parking, Net	\$ 574	\$ 591	\$ 608	\$ 627	\$ 645	\$ 748
(+) Sponsorship	\$ 6,071	\$ 6,222	\$ 6,378	\$ 6,537	\$ 6,701	\$ 7,581
(+) Arena Rent	\$ 1,000	\$ 1,030	\$ 1,061	\$ 1,093	\$ 1,126	\$ 1,305
Revenues via Tenant	\$ 27,239	\$ 28,075	\$ 28,872	\$ 29,674	\$ 30,490	\$ 34,938
Cash Flows from Concerts/Other Events						
(+) Ticket Sales	\$ 5,571	\$ 8,453	\$ 10,622	\$ 11,258	\$ 11,595	\$ 13,442
(+) Rent	\$ 420	\$ 525	\$ 525	\$ 525	\$ 525	\$ 525
(-) Promoter Rebate	\$ 382	\$ 570	\$ 666	\$ 692	\$ 692	\$ 692
(+) Facility Fee	\$ 382	\$ 570	\$ 666	\$ 692	\$ 692	\$ 692
(+) Concessions, Net	\$ 1,244	\$ 1,792	\$ 2,050	\$ 2,168	\$ 2,233	\$ 2,589
(+) Merch, Net	\$ 260	\$ 375	\$ 429	\$ 454	\$ 468	\$ 542
(+) Parking, Net	\$ 292	\$ 408	\$ 453	\$ 465	\$ 465	\$ 465
Revenues via Concerts	\$ 8,551	\$ 12,693	\$ 15,411	\$ 16,253	\$ 16,670	\$ 18,947
Venue Expenses						
(-) Salaries, Wages & Benefits	\$ 10,917	\$ 11,244	\$ 11,581	\$ 11,929	\$ 12,287	\$ 14,244
(-) General & Admin	\$ 1,600	\$ 1,648	\$ 1,697	\$ 1,748	\$ 1,801	\$ 2,088
(-) Operations	\$ 1,000	\$ 1,030	\$ 1,061	\$ 1,093	\$ 1,126	\$ 1,305
(-) Utilities	\$ 2,335	\$ 2,405	\$ 2,477	\$ 2,551	\$ 2,628	\$ 3,046
(-) Repairs & Maintenance	\$ 300	\$ 309	\$ 318	\$ 328	\$ 338	\$ 391
(-) Insurance	\$ 690	\$ 711	\$ 732	\$ 754	\$ 777	\$ 900
(-) Materials and Supplies	\$ 300	\$ 309	\$ 318	\$ 328	\$ 338	\$ 391
(-) Reserves	\$ 1,500	\$ 1,545	\$ 1,591	\$ 1,639	\$ 1,688	\$ 1,957
(-) Property Tax	\$ 6,141	\$ 6,264	\$ 6,389	\$ 6,517	\$ 6,647	\$ 7,339
(-) Management Fee	\$ 1,250	\$ 1,288	\$ 1,326	\$ 1,366	\$ 1,407	\$ 1,631
Total Expenses	\$ 26,032	\$ 26,752	\$ 27,491	\$ 28,252	\$ 29,035	\$ 33,292
Net Operating Income	\$ 9,759	\$ 14,016	\$ 16,791	\$ 17,675	\$ 18,125	\$ 20,593

Source: Hunden Partners

Grand Bay – Aqua Golf

The current driving range at GSR is set to be transformed by the introduction of the new Grand Bay Aqua Golf. This enhanced facility is projected to attract more than 350,000 visitors annually. With the addition of food & beverage services, Grand Bay will significantly elevate the entertainment experience. In its first year, the facility is anticipated to generate a net income of \$2.8 million.



Sports Entertainment Aqua Golf	2028 Year 1	2029 Year 2	2030 Year 3	2031 Year 4	2032 Year 5	2037 Year 10
Revenue (\$000s)						
Rentals						
Local/Individual Rental	\$ 4,025	\$ 4,146	\$ 4,270	\$ 4,398	\$ 4,530	\$ 5,252
Hotel/Inhouse Rental	\$ 1,852	\$ 1,907	\$ 1,955	\$ 2,023	\$ 2,084	\$ 2,416
Corporate/Group Rental	\$ 386	\$ 397	\$ 409	\$ 422	\$ 434	\$ 503
Total Rental Revenue	\$ 6,263	\$ 6,450	\$ 6,644	\$ 6,843	\$ 7,049	\$ 8,171
F&B						
Local/Individual F&B	\$ 3,175	\$ 3,270	\$ 3,368	\$ 3,469	\$ 3,573	\$ 4,142
Hotel/Inhouse F&B	\$ 1,461	\$ 1,504	\$ 1,550	\$ 1,596	\$ 1,644	\$ 1,906
Corporate/Group F&B	\$ 304	\$ 313	\$ 323	\$ 333	\$ 342	\$ 397
Total F&B Revenue	\$ 4,939	\$ 5,088	\$ 5,240	\$ 5,398	\$ 5,559	\$ 6,445
Membership						
Local/Individual Membership	\$ 690	\$ 711	\$ 732	\$ 754	\$ 777	\$ 901
Hotel/Inhouse Membership	\$ 318	\$ 327	\$ 337	\$ 347	\$ 357	\$ 414
Corporate/Group Membership	\$ 66	\$ 68	\$ 70	\$ 72	\$ 75	\$ 86
Total Membership Revenue	\$ 1,074	\$ 1,106	\$ 1,140	\$ 1,174	\$ 1,209	\$ 1,401
Total Revenue	\$ 12,276	\$ 12,644	\$ 13,024	\$ 13,414	\$ 13,817	\$ 16,018
(-) Comp Revenue	\$ (1,228)	\$ (1,264)	\$ (1,302)	\$ (1,341)	\$ (1,382)	\$ (1,602)
Net Revenue	11,049	11,380	11,721	12,073	12,435	14,416
Expenses (\$000s)						
(-) COGS	\$ 1,235	\$ 1,272	\$ 1,310	\$ 1,349	\$ 1,390	\$ 1,611
(-) Payroll	\$ 3,886	\$ 4,003	\$ 4,123	\$ 4,247	\$ 4,374	\$ 5,071
(-) Supplies	\$ 162	\$ 167	\$ 172	\$ 177	\$ 182	\$ 211
(-) Opex	\$ 948	\$ 976	\$ 1,006	\$ 1,036	\$ 1,067	\$ 1,237
(-) Other	\$ 1,680	\$ 1,730	\$ 1,782	\$ 1,836	\$ 1,891	\$ 2,192
(-) Property Tax	\$ 352	\$ 359	\$ 366	\$ 374	\$ 381	\$ 421
Total Expenses	\$ 8,263	\$ 8,507	\$ 8,759	\$ 9,018	\$ 9,285	\$ 10,742
Net Operating Income	\$ 2,786	\$ 2,873	\$ 2,963	\$ 3,055	\$ 3,151	\$ 3,673
Operating Margin	56%	56%	57%	57%	57%	57%

Source: Hunden Partners

Multifamily

The multifamily development is scheduled for completion in 2032 as part of the Project's second phase. It is proposed to include 300 units and is planned to feature a mix of both workforce housing and market-rate units. This strategic mix aims to support a diverse community while maintaining competitive market standards. Upon reaching stabilization in 2034, the development is anticipated to generate a net operating income of \$4.7 million.

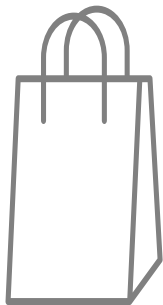
Housing Type	# of Units	Year 1 Asking Rent	Year 3 Asking Rent
Workforce Housing	150	\$1,188	\$1,260
Market Housing	150	\$2,268	\$2,406
Total/Average	300	\$1,728	\$1,833

Proforma - Multifamily 300 MF Units	2032 Year 1	2033 Year 2	2034 Year 3	2035 Year 4	2036 Year 5	2041 Year 10
Revenue (\$000s)						
Gross Potential Rent	\$ 6,221	\$ 6,407	\$ 6,600	\$ 6,798	\$ 7,002	\$ 8,117
Vacancy	15.0%	5.0%	2.5%	2.5%	2.5%	2.5%
(-) Vacancy Loss	\$ (933)	\$ (320)	\$ (165)	\$ (170)	\$ (175)	\$ (203)
(+) Other Income (Fees)	\$ 405	\$ 466	\$ 492	\$ 507	\$ 522	\$ 606
Gross Effective Rent	\$ 5,692	\$ 6,553	\$ 6,927	\$ 7,135	\$ 7,349	\$ 8,519
Expenses (\$000s)						
<i>Controllable Expenses</i>						
(-) Utilities	\$ 240	\$ 247	\$ 255	\$ 262	\$ 270	\$ 313
(-) Repairs & Maintenance	\$ 75	\$ 77	\$ 80	\$ 82	\$ 84	\$ 98
(-) Payroll & Benefits	\$ 420	\$ 433	\$ 446	\$ 459	\$ 473	\$ 548
(-) Marketing	\$ 85	\$ 87	\$ 90	\$ 93	\$ 96	\$ 111
(-) General & Administrative	\$ 60	\$ 62	\$ 64	\$ 66	\$ 68	\$ 78
(-) Contract Services / Landscaping	\$ 261	\$ 269	\$ 277	\$ 285	\$ 293	\$ 340
<i>Uncontrollable Expenses</i>						
(-) Insurance	\$ 75	\$ 77	\$ 80	\$ 82	\$ 84	\$ 98
(-) Turnover	\$ 52	\$ 54	\$ 56	\$ 57	\$ 59	\$ 69
(-) Property Taxes	\$ 882	\$ 900	\$ 918	\$ 936	\$ 955	\$ 1,054
Total Expenses	\$ 2,150	\$ 2,206	\$ 2,263	\$ 2,322	\$ 2,382	\$ 2,709
Net Operating Income	\$ 3,542	\$ 4,347	\$ 4,664	\$ 4,813	\$ 4,967	\$ 5,811
<i>Operating Margin</i>	<i>62%</i>	<i>66%</i>	<i>67%</i>	<i>67%</i>	<i>68%</i>	<i>68%</i>

Source: Hunden Partners

Lakefront Retail

Set to complete in phase two, the Lakefront Retail will encompass 23,400 square feet of space, ideally complementing the Workforce Housing to foster a supportive community environment. This synergy between the residential and retail segments is designed to enhance the overall viability of the area. Upon reaching stabilization in 2034, the retail segment is expected to achieve a net operating income of \$857,000.



Proforma - Restaurant/Retail Lakefront 23.4 K Retail	2032 Year 1	2033 Year 2	2034 Year 3	2035 Year 4	2036 Year 5	2041 Year 10
Revenue (\$000s)						
(+) Gross Potential Rent	\$ 854	\$ 880	\$ 906	\$ 933	\$ 961	\$ 1,114
Vacancy	12%	5%	5%	5%	5%	5%
(-) Vacancy Loss	\$ 102	\$ 44	\$ 45	\$ 47	\$ 48	\$ 56
Gross Effective Rent	\$ 752	\$ 836	\$ 861	\$ 887	\$ 913	\$ 1,059
(+) Tenant Reimbursements	\$ 162	\$ 180	\$ 185	\$ 191	\$ 197	\$ 228
Gross Operating Income	\$ 913	\$ 1,016	\$ 1,046	\$ 1,078	\$ 1,110	\$ 1,287
Expenses (\$000s)						
(-) CAM	\$ 54	\$ 55	\$ 57	\$ 59	\$ 61	\$ 70
(-) Utilities	\$ 18	\$ 18	\$ 19	\$ 19	\$ 20	\$ 23
(-) Property Tax	\$ 92	\$ 94	\$ 95	\$ 97	\$ 99	\$ 110
(-) Insurance	\$ 21	\$ 21	\$ 22	\$ 23	\$ 23	\$ 27
Total Expenses	\$ 184	\$ 189	\$ 193	\$ 198	\$ 203	\$ 230
Net Operating Income	\$ 730	\$ 827	\$ 853	\$ 879	\$ 907	\$ 1,057
<i>Operating Margin</i>	<i>80%</i>	<i>81%</i>	<i>82%</i>	<i>82%</i>	<i>82%</i>	<i>82%</i>

Source: Hunden Partners

Hotel Assumptions and Pro Forma

The final phase of the Project includes constructing a 500-key hotel. In its inaugural year, the hotel's average daily rate (ADR) is projected at \$155, with an occupancy rate of 50.8 percent. By the fourth year, post-stabilization, the ADR is expected to rise to \$169.37 with a 65-percent occupancy rate. This steady growth in both ADR and occupancy is anticipated to generate a net operating income of \$25 million, underscoring the hotel's potential as a profitable and sustainable venture.

Year	ADR	Occupancy	Rev Par
2036 (opening year)	\$155.00	50.8%	\$78.74
2037	\$159.65	57.1%	\$91.16
2038	\$164.44	60.3%	\$99.16
2039 (stabilization)	\$169.37	65.0%	\$110.09
2040	\$174.45	65.0%	\$113.40

Projection of Revenue - Proposed Hotel Reno, NV 500-Key Hotel											
	2036 Year 1				2037 Year 2	2038 Year 3	2039 Year 4				2040 Year 5
(In \$000s)	\$	%	PAR	POR	\$	\$	\$	%	PAR	POR	\$
REVENUE											
Room Revenue	\$ 14,370	44.3%	\$ 28,740	\$ 155	\$ 16,637	\$ 18,096	\$ 20,092	44.3%	\$ 40,184	\$ 169	\$ 20,695
Food & Beverage	\$ 6,026	18.6%	\$ 12,052	\$ 65	\$ 6,977	\$ 7,589	\$ 8,426	18.6%	\$ 16,851	\$ 71	\$ 8,678
Parking	\$ 2,318	7.1%	\$ 4,636	\$ 25	\$ 2,683	\$ 2,919	\$ 3,241	7.1%	\$ 6,481	\$ 27	\$ 3,338
Other Operated Departments	\$ 9,735	30.0%	\$ 19,469	\$ 105	\$ 11,270	\$ 12,259	\$ 13,611	30.0%	\$ 27,221	\$ 115	\$ 14,019
Total	\$ 32,449	100.0%	\$ 64,897	\$ 350	\$ 37,567	\$ 40,862	\$ 45,369	100.0%	\$ 90,737	\$ 382	\$ 46,730
DEPARTMENTAL EXPENSES											
Rooms	\$ 1,500	10.4%	\$ 3,001	\$ 16	\$ 1,737	\$ 1,889	\$ 2,098	10.4%	\$ 4,195	\$ 18	\$ 2,161
Food & Beverage	\$ 2,035	33.8%	\$ 4,069	\$ 22	\$ 2,356	\$ 2,562	\$ 2,845	33.8%	\$ 5,690	\$ 24	\$ 2,930
Parking	\$ 120	5.2%	\$ 241	\$ 1	\$ 139	\$ 152	\$ 168	5.2%	\$ 337	\$ 1	\$ 173
Other Operated Departments	\$ 4,298	44.2%	\$ 8,596	\$ 46	\$ 4,976	\$ 5,412	\$ 6,009	44.2%	\$ 12,019	\$ 51	\$ 6,190
Total	\$ 7,953	24.5%	\$ 15,907	\$ 86	\$ 9,208	\$ 10,016	\$ 11,120	24.5%	\$ 22,240	\$ 94	\$ 11,454
DEPARTMENTAL PROFIT	\$ 24,495	75.5%	\$ 48,990	\$ 264	\$ 28,359	\$ 30,847	\$ 34,248	75.5%	\$ 68,497	\$ 289	\$ 35,276
UNDIST. OP. EXPENSES											
Administrative and General (excl. Operator)	\$ 1,180	3.6%	\$ 2,360	\$ 13	\$ 1,366	\$ 1,486	\$ 1,650	3.6%	\$ 3,299	\$ 14	\$ 1,699
Information & Telecommunications	\$ 270	0.8%	\$ 539	\$ 3	\$ 312	\$ 340	\$ 377	0.8%	\$ 754	\$ 3	\$ 388
Sales & Marketing (excl. Program Fee)	\$ 1,129	3.5%	\$ 2,259	\$ 12	\$ 1,307	\$ 1,422	\$ 1,579	3.5%	\$ 3,158	\$ 13	\$ 1,626
Franchise Fee	\$ 590	1.8%	\$ 1,180	\$ 6	\$ 683	\$ 743	\$ 825	1.8%	\$ 1,650	\$ 7	\$ 850
Utilities	\$ 84	0.3%	\$ 169	\$ 1	\$ 98	\$ 106	\$ 118	0.3%	\$ 236	\$ 1	\$ 121
Property Operations and Maint.	\$ 253	0.8%	\$ 506	\$ 3	\$ 293	\$ 318	\$ 353	0.8%	\$ 707	\$ 3	\$ 364
Total	\$ 3,506	10.8%	\$ 7,012	\$ 38	\$ 4,059	\$ 4,415	\$ 4,902	10.8%	\$ 9,804	\$ 41	\$ 5,049
GROSS OPERATING PROFIT	\$ 20,989	64.7%	\$ 41,979	\$ 226	\$ 24,300	\$ 26,432	\$ 29,347	64.7%	\$ 58,693	\$ 247	\$ 30,227
Management Fees	\$ 973	3.0%	\$ 1,947	\$ 11	\$ 1,127	\$ 1,226	\$ 1,361	3.0%	\$ 2,722	\$ 11	\$ 1,402
Income Before Fixed Charges	\$ 20,016	61.7%	\$ 40,032	\$ 216	\$ 23,173	\$ 25,206	\$ 27,986	61.7%	\$ 55,971	\$ 236	\$ 28,825
FIXED EXPENSES											
Property Taxes	\$ 2,950	9.1%	\$ 5,900	\$ 32	\$ 3,009	\$ 3,069	\$ 3,131	6.9%	\$ 6,261	\$ 26	\$ 3,193
Total	\$ 2,950	9.1%	\$ 5,900	\$ 32	\$ 3,009	\$ 3,069	\$ 3,131	6.9%	\$ 6,261	\$ 26	\$ 3,193
Net Operating Income	\$ 17,066	52.6%	\$ 34,132	\$ 184	\$ 20,164	\$ 22,137	\$ 24,855	54.8%	\$ 49,710	\$ 210	\$ 25,632
Operating Margin	53%				54%	54%	55%				55%

Source: Hunden Partners

Development Yield

The table to the right provides a detailed breakdown of the three phases' NOIs that GSR is projected to receive from the development of the Project, along with a summary at the bottom of the development yield on cost. This yield is calculated by dividing the total Project cost by that year's NOI. Over the first 10 years, the average Yield on Cost stands at only 4.0 percent; even with the property tax repayment, it marginally increases to 4.3 percent.

Given that most investors seek a development yield ranging from 10 to 20 percent, these figures underscore the critical importance of the full tax repayment for making the Project financially viable. Without this tax relief, the Project would not generate sufficient returns to attract investment.

Development Yield (\$000s)	2028	2029	2030	2031	2032	2037	2042	2047	2052	2055
Reno Development	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 28
Phase 1 NOI										
Arena	\$9,759	\$14,016	\$16,791	\$17,675	\$18,125	\$20,593	\$24,231	\$28,421	\$33,247	\$36,488
Fan Zone Retail	\$806	\$830	\$855	\$881	\$907	\$1,052	\$1,219	\$1,413	\$1,638	\$1,790
Aqua Golf	\$2,990	\$3,083	\$3,179	\$3,278	\$3,380	\$3,940	\$4,590	\$5,347	\$6,227	\$6,822
Incremental GSR	\$4,759	\$5,226	\$5,511	\$5,713	\$5,884	\$6,821	\$7,908	\$9,167	\$10,627	\$11,613
Total	\$18,314	\$23,155	\$26,337	\$27,547	\$28,296	\$32,405	\$37,948	\$44,349	\$51,740	\$56,713
Phase 2 NOI										
Lakefront Retail					\$730	\$935	\$1,090	\$1,269	\$1,478	\$1,620
Workforce Housing					\$3,542	\$5,126	\$5,996	\$7,010	\$8,192	\$8,993
Total					\$4,272	\$6,061	\$7,085	\$8,279	\$9,670	\$10,613
Phase 3 NOI										
Hotel						\$20,164	\$27,258	\$31,783	\$37,048	\$40,611
Total						\$20,164	\$27,258	\$31,783	\$37,048	\$40,611
Total NOI	\$18,314	\$23,155	\$26,337	\$27,547	\$32,568	\$58,630	\$72,292	\$84,411	\$98,458	\$107,937
Total Development Cost	\$633,452	\$633,452	\$633,452	\$633,452	\$732,812	\$1,019,086	\$1,019,086	\$1,019,086	\$1,019,086	\$1,019,086
Dev. Yield on Cost	2.9%	3.7%	4.2%	4.3%	4.4%	5.8%	7.1%	8.3%	9.7%	10.6%
Abatement Requested	\$1,703	\$1,703	\$1,703	\$1,703	\$1,958	\$2,732	\$2,732	\$2,732	\$2,732	\$2,732
Adjusted NOI	\$20,017	\$24,858	\$28,039	\$29,249	\$34,526	\$61,362	\$75,024	\$87,143	\$101,190	\$110,668
Adj. Development Yield	3.2%	3.9%	4.4%	4.6%	4.7%	6.0%	7.4%	8.6%	9.9%	10.9%

Source: Hunden Partners

Economic, Fiscal & Employment Impact

hunden partners



Impact Overview

Hunden uses the IMPLAN input-output multiplier model, which determines the level of additional activity in the economy due to additional inputs. For example, for every dollar of direct new spending locally, the IMPLAN model provides multipliers for the indirect and induced spending that will result.

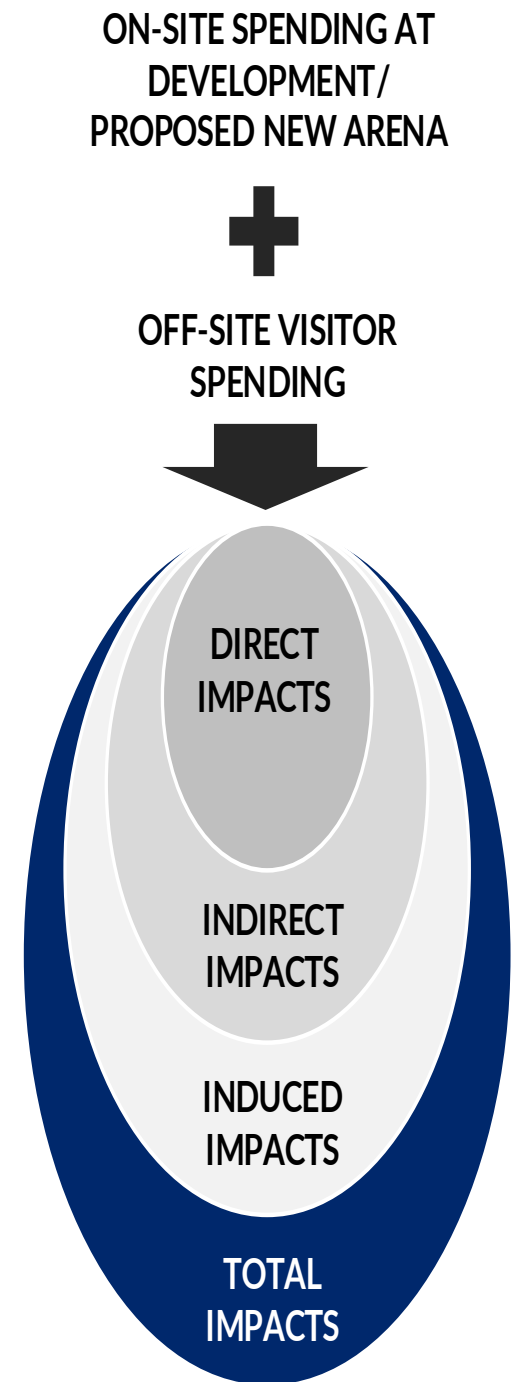
The new and recaptured direct spending (both onsite and offsite) is considered to be the **Direct Impact**. From the direct spending figures, further impacts are determined.

Indirect Impacts are the supply of goods and services resulting from the initial direct spending. For example, a visitor's direct expenditure on a hotel room causes the hotel to purchase linens and other items from suppliers. The portion of these hotel purchases that are within the local economy is considered an indirect economic impact.

Induced Impacts embody the change in spending due to the personal expenditures by employees whose incomes are affected by direct and indirect spending. For example, a waitress at a restaurant may have more personal income as a result of the induced customer's visit. The amount of the increased income that the employee spends in the area is considered an induced impact.

Employment Impacts include the incremental employment provided not only onsite, but offsite due to the spending associated with it. For example, the direct, indirect and induced impacts generate spending, support new and ongoing businesses, and ultimately result in ongoing employment for citizens. Hunden will show the number of ongoing jobs supported by the Stadium and provide the resulting income generated.

Fiscal Impacts represent the incremental tax revenue collected by the City or State due to the net new economic activity. The fiscal impact represents the government's share of total economic benefit.



Spending Impacts

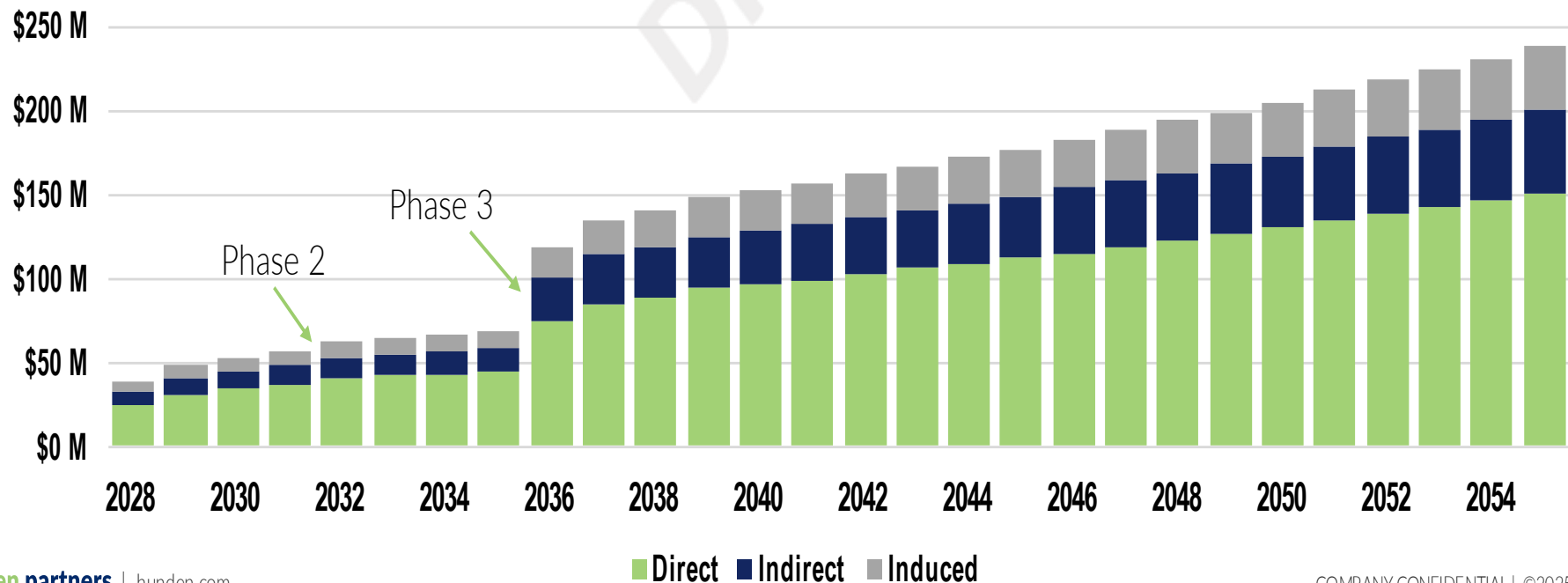
The Arena as well as the other components of the development will attract visitors from outside of the city to experience Reno. These individuals spend money within and around the Arena on food, drinks, retail, and hotels. The graphs illustrate the new spending by visitors to the Project and how this new direct spending generates additional spending within the city.

Direct Spending Total:
\$2.59 Billion



Total Spending:
\$4.09 Billion

Total Spending



Employment Impacts

As the spending trickles through the economy, it generates new earnings that in turn supports local jobs. The graphs below summarize Hunden's expectations for how the Project will support earnings to Reno residents through 2055.

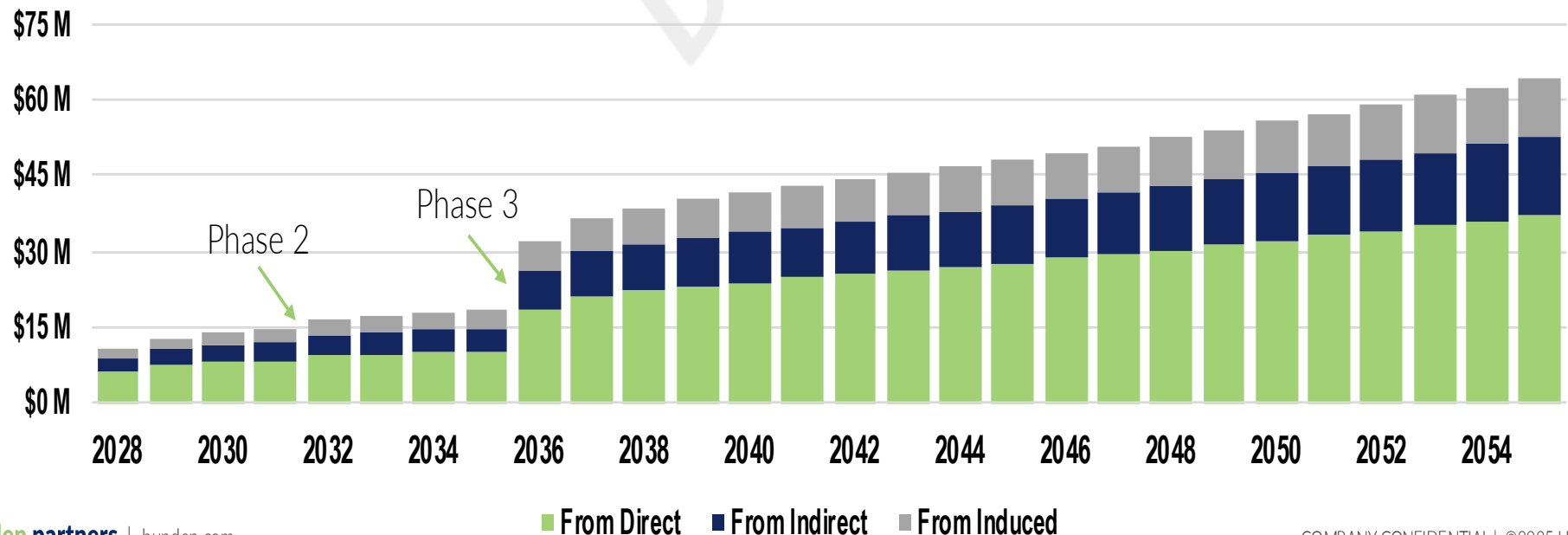
Average Annual Jobs Supported:
671 FTE Jobs



Earnings Annual Average:
\$36.9 Million

Resident Earnings

Supported by the GSR Arena Development



Fiscal Impacts

Table 1 illustrates the projected total impact through 2055 that the Project is expected to have on the City of Reno. Over the years, this is expected to generate \$4.1 billion in new spending and generate \$22.7 million in new taxes for Reno.

Table 2 outlines the estimated average annual impact the Project is anticipated to generate. The City is expected to capture an incremental \$700,000 in taxes each year.



Table 1: Total Impact Through 2055

Spending	\$ (millions)
Direct	\$2,595
Indirect	\$865
Induced	\$639
Total	\$4,099
Earnings	\$ (millions)
Direct	\$637
Indirect	\$266
Induced	\$202
Total	\$1,106
FTE Supported	Peak
Direct	474
Indirect	105
Induced	92
Total	671
Fiscal City Impact	\$ (millions)
City C-Tax	\$17.5
City Room Tax	\$5.2
Total	\$22.7

Table 2: Average Annual Impact

Spending	\$ (millions)
Direct	\$87
Indirect	\$29
Induced	\$21
Total	\$137
Earnings	\$ (millions)
Direct	\$21
Indirect	\$9
Induced	\$7
Total	\$37
FTE Supported	Average
Direct	371
Indirect	83
Induced	72
Total	526
Fiscal City Impact	\$ (millions)
City C-Tax	\$0.6
City Room Tax	\$0.2
Total	\$0.7

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March 11, 2025

VIA EMAIL

To the Board Members of the
City of Reno Redevelopment Agency
1 E. First St., Reno, NV 89505
c/o Ashley D. Turney, Assistant City Manager
turneya@reno.gov

Re: Redevelopment Project Area No. 2

Dear Board Members:

We have been asked to advise the City of Reno Redevelopment Agency (“Agency”) whether the Agency may lawfully enter into a participation agreement with the developer of a proposed indoor arena project (the “Arena Project”) at the Grand Sierra Resort pursuant to which the Agency would provide tax increment financing (“TIF”) for a portion of the Arena Project development cost. Specifically, the purpose of this letter is to address the legal assertions set forth in the letter dated February 19, 2025 to City Council from Joshua J. Hicks of the law firm of McDonald Carano on behalf of Caesars Entertainment, Peppermill Resort Spa Casino, Golden Road Motor Inn, Inc., BCH Gaming Reno, LLC, Nugget Sparks LLC and the Bonanza Casino LLC (the “Coalition”) expressing the Coalition’s opposition to the use of TIF for the Arena Project (the “Coalition Letter”), a copy of which is enclosed herewith.

I. Background

The Grand Sierra Resort is located within Redevelopment Project Area No. 2 (“Redevelopment Area 2”), which is described in the Redevelopment Plan for Redevelopment Area 2 adopted by the City Council of the City of Reno pursuant to Ordinance No. 5726 on August 24, 2005 (the “Redevelopment Plan”).¹ Power Sports Development LLC (“Developer”) submitted an application to the Agency requesting that the Agency provide TIF to support the Arena Project.²

¹ The Redevelopment Plan and Ordinance No. 5726 are available in the backup materials to the August 24, 2005 Redevelopment Agency Board Agenda available at the following URL:
<https://reno.primegov.com/Portal/Meeting?meetingTemplateId=6387>

² The Developer’s application is available in the backup materials to the October 23, 2024 Redevelopment Agency Board Agenda available at the following URL:
<https://reno.primegov.com/Portal/Meeting?meetingTemplateId=7085> Developer’s application states that Developer is wholly owned by Alex Meruelo, Power Sports Development LLC will lease the Arena Project land from Grand Sierra Resort, entities within the Meruelo family of companies are separately owned by Alex Meruelo, and Meruelo

Pursuant to action taken by the Agency at the October 23, 2024 Redevelopment Agency Board meeting, the Agency obtained a market analysis from Hunden Partners (the “Market Analysis Report”) to project the financial and economic impact of the Arena Project and provide recommendations.³ Item No. B.3 on the March 12, 2025 Redevelopment Agency meeting agenda is the acceptance of the Market Analysis Report by the Agency Board and potential direction to staff to proceed with financial gap analysis and deal negotiations for the Arena Project.⁴ The Coalition Letter was sent to the City Council regarding the Developer’s application and sets forth the Coalition’s position that the Area Project does not appear to be a lawful use of TIF.

II. Coalition Letter Assertion 1: The Project falls outside the purpose of TIF, as established by the underlying policies and goals stated in the Redevelopment Plan regarding the elimination of blight in Redevelopment Area 2.

The Coalition Letter notes that, when establishing Redevelopment Area 2, the Agency’s stated goals included ensuring the mitigation of blight and the prevention of the spread of blight and deterioration. The Coalition Letter asserts that recent economic development in the Grand Sierra District, including renovations to the Grand Sierra Resort Tower, have eliminated blight and the need for redevelopment in the Grand Sierra District within Redevelopment Area 2, and thus the Arena Project may not qualify for TIF.

“Blight” is a term used to describe physical, social or economic conditions that affect the health, safety or welfare of a community and includes economic blight, which may affect the community in the form of business loss and downward economic trends.⁵ For an area to be included in a redevelopment plan, there must be a finding that the general area suffers from some form of blight and that redevelopment is necessary to eliminate that blight.⁶ If a challenge to the validity of a redevelopment plan is not brought within 90 days of the adoption of the plan, the decision of the legislative body concerning a redevelopment area is final and conclusive, and it is thereafter conclusively presumed that the redevelopment area is a blighted area.⁷ Further, an area generally cannot be removed from any redevelopment area during the term of the redevelopment plan.⁸ In *City of Las Vegas Downtown Redevelopment Agency v. Pappas*⁹, the Nevada Supreme Court

Group LLC exists as a management company to oversee the operations of all related companies. As used herein, “Developer” may refer to any of the affiliated companies, as applicable.

³ See Staff Report and Market Analysis Report, Item B.3, on the March 12, 2025 Redevelopment Agency Board Agenda available at the following URL: <https://reno.primegov.com/Portal/Meeting?meetingTemplateId=7085>

⁴ *Id.*

⁵ *Las Vegas Downtown Redev. Agency v. Pappas*, 119 Nev. 429, 445-46 (Nev. 2003).

⁶ *Id.* at 446.

⁷ NRS 279.589.

⁸ See NRS 279.608 (providing that a redevelopment plan amendment may not include the removal of an area from any redevelopment area, except for certain residential dwellings in cities with populations below 25,000).

⁹ 119 Nev. 429 (2003).

concluded that there was substantial evidence to support the redevelopment agency's finding that the construction of the Fremont Street Experience, including the taking of private property for the construction of a parking garage, furthered the public purpose of eliminating blight in downtown Las Vegas, Nevada,¹⁰ even if the property taken was not blighted.¹¹ In reaching its conclusion, the Court noted that "redevelopment encompasses an entire area, not just individually blighted sections".¹²

Response to Coalition Letter Assertion 1: When evaluating whether the Arena Project furthers the goals of the Redevelopment Agency as set forth in the Redevelopment Plan, it is not necessary for the Redevelopment Agency to determine that the site of the Arena Project is blighted; the Redevelopment Agency may take into account the project's effect on eliminating blight within other areas of Redevelopment Area 2.

III. Coalition Letter Assertion 2: The Arena Project does not meet the legal requirements for use of TIF under NRS Chapter 279 due to changes in the area.

The Coalition Letter notes that the purpose of NRS Chapter 279, which provides the statutory authority for the establishment of redevelopment areas in Nevada, is providing for the redevelopment of blighted areas and suggests that the Grand Sierra District may not qualify for TIF because of significant new development in the area since the Redevelopment Plan was last updated.

NRS 279.519 expressly states that a redevelopment area "may include, in addition to blighted areas, lands, buildings or improvements which are not detrimental to the public health, safety or welfare, but whose inclusion is found necessary for the effective redevelopment of the area of which they are a part".¹³ The City is not required to amend a redevelopment plan to address successful completion of development projects within the redevelopment area or to specifically address new redevelopment projects proposed within the plan area.¹⁴ The City may amend the Redevelopment Plan in accordance with the Community Redevelopment Law if it determines that

¹⁰ *Pappas* at 445-46.

¹¹ *See id.* at 448 ("the fact that the Pappases' property itself was not blighted does not prohibit its taking through eminent domain proceedings").

¹² *Id.* at 448 (citing *Berman v. Parker*, 348 U.S. 26 (1954)).

¹³ NRS 279.519.

¹⁴ *See Las Vegas Downtown Redev. Agency v. Crockett*, 117 Nev. 816, 827-28 (Nev. 2001) ("A redevelopment agency should not be saddled with the burden of amending a redevelopment plan to include every new redevelopment project or change to a redevelopment project, without regard to the nature of the project or the change.")

it would be necessary or desirable to amend the plan, and the City must amend the Redevelopment Plan if the City desires to take action that would constitute a material deviation from the plan.¹⁵

Response to Coalition Letter Assertion 2: Nevada’s Community Redevelopment Law permits the inclusion of non-blighted areas in a redevelopment area. In evaluating the Arena Project, the Redevelopment Agency should consider whether the Arena Project conforms to the Redevelopment Plan.

IV. Coalition Letter Assertion 3: The Project does not align with the City’s goal of redeveloping areas that cannot be redeveloped by private investment alone, without public participation and assistance.

The Coalition Letter cites various public statements suggesting that the Arena Project could and would be funded solely through private investment.

NRS 279.566 provides that every redevelopment plan must provide for the participation and assistance in the redevelopment of property in the redevelopment area by the owners of all or part of that property if the owners agree to participate in conformity with the redevelopment plan. In adopting the Redevelopment Plan, the City contemplated that owners of real property within Redevelopment Area 2 would be extended opportunities to participate in redevelopment of their property by initiating new development consistent with the Redevelopment Plan.¹⁶ The Redevelopment Plan provides that the Agency may develop activities designed to support the efforts of existing businesses to expand or enhance their operations and support private efforts to attract business to the project area.¹⁷

The staff recommendation to the Agency for Item No. B.3 on the March 12, 2025 Redevelopment Agency Board meeting agenda is for the Agency to accept the Market Analysis Report and direct staff to proceed to financial gap analysis and public private partnership negotiations.¹⁸ The purpose of the gap analysis is to determine whether and the extent to which public assistance is required for the Arena Project to be financially feasible.¹⁹

Response to Coalition Letter Assertion 3: If the Agency elects to proceed with the financial gap analysis for the Arena Project, it will apply a “but for” analysis to assess whether the development

¹⁵ See NRS 279.608. This letter does not address the extension of the term of the Redevelopment Plan, which is discussed in the Market Analysis Report.

¹⁶ Redevelopment Plan, Section 402.

¹⁷ Redevelopment Plan, Addendum Report of Proposed Method of Financing and Economic Feasibility of the Redevelopment Plan, Section B.3.f.

¹⁸ See Staff Report, FN 3.

¹⁹ *Id.*

would not occur “but for” the requested public assistance.²⁰ This test determines whether the TIF or other incentives are necessary for the project to proceed and are not merely a subsidy for the Developer.

V. Summary

In reviewing the Coalition Letter and other information regarding the Arena Project discussed in this letter, we have not been presented with any facts that we believe would disqualify the Arena Project from eligibility for TIF under applicable law. When evaluating the Arena Project for eligibility for TIF, the Agency should ensure that the project is consistent with the Redevelopment Plan and qualifies under a program implemented under the Redevelopment Plan.²¹ In evaluating the project, the Agency may consider the project’s effect on eliminating blight within areas of Redevelopment Area 2 outside of the project site. Obtaining a third-party financial “gap” analysis would assist the Agency in determining whether and to what extent TIF funds are necessary for the project to provide a sufficient projected return on investment, such that the development would not occur “but for” the requested TIF.

Sincerely,

KAEMPFER CROWELL



Rory A. Robinson

RAR/tmr

Encl. (*as stated*)

²⁰ *Id.*

²¹ Redevelopment Plan, Section 405.

Joshua J. Hicks, Partner
jhicks@mcdonaldcarano.com

Reply to Reno

February 19, 2025

Via Email and Mail

Reno City Council
c/o Reno City Clerk
1 E. First Street
Second Floor
Reno, Nevada 89505
Cityclerk@reno.gov

Re: Catalyst Project Application for Tax Increment Financing by Power Sports Development, LLC for the Grand Sierra Resort Arena Development Project

Dear Councilmembers:

This letter is submitted on behalf of Caesars Entertainment, Peppermill Resort Spa Casino, Golden Road Motor Inn, Inc., BCH Gaming Reno, LLC, Nugget Sparks LLC and the Bonanza Casino LLC (collectively, the “Coalition”) to express concerns regarding Power Sports Development, LLC’s Catalyst Project Application (the “Application”) for tax increment financing (“TIF”) for the Grand Sierra Resort Arena Development Project (the “Project”). While the Coalition does not generally oppose the Project, the Coalition opposes the use of TIF for the Project, which does not appear to be a lawful use of TIF.

The Project falls within Redevelopment Area 2 (“RDA 2”), which was established in 2005. Unlike Redevelopment Area 1 (“RDA 1”), which primarily encompasses downtown Reno, RDA 2 includes a broader area, spanning from downtown Reno through the heart of the city and includes a portion of western Reno. Due to the size of RDA 2, the City has divided the area into smaller districts to “better assess the benefits of proposed projects within those areas.”¹ The smaller sized districts allow the Redevelopment Agency to “more effectively allocate funding, promoting more efficient spending of Agency funds and therefore creating more value for the City and its

¹ City of Reno Redevelopment Agency Status Report, August 2024, at pg. 22, available at <https://www.reno.gov/home/showpublisheddocument/93347/638671729097200000>.

residents.”² One of these districts within RDA 2 includes the Grand Sierra District, where the Project is located.

In conjunction with the guiding principles established by the City, NRS Chapter 279 further establishes Nevada’s policies for redevelopment. The purpose of NRS Chapter 279 is to provide an avenue for redevelopment of “blighted areas which constitute either social or economic liabilities, or both” in the “interest of the health, safety and general welfare of the people of those communities and of the State.”³ A blighted area must include at least four characteristics as defined in NRS 279.388, such as buildings or structures which are unfit or unsafe, economic deterioration, depreciated values, or a growing or total lack of proper utilization of some parts of the area. Thus, at its core, the purpose of redevelopment and the use of tax increment funding is to revitalize and eliminate areas within the City which are in disrepair and otherwise would not be developed.

When establishing RDA 2, the City established several goals for the area, including to ensure the “mitigation of blight and the prevention and spread of blight and deterioration” and the “conservation, rehabilitation, and redevelopment” in the area were consistent with the Master Plan, the Redevelopment Plan, and local codes and ordinances.⁴ Further, the City sought to prioritize “replanning, redesigning and redevelopment of areas” in RDA 2 which are “currently stagnant or improperly used.”⁵ Importantly, a goal of RDA 2 is to replan, redesign, and redevelop areas “which could not be accomplished by private investment alone, without public participation and assistance.”⁶

Evaluating the underlying policies and goals guiding redevelopment in RDA 2, it is clear the Project falls far outside the purpose of TIF and does not meet the legal requirements. The Grand Sierra District has benefited from significant recent economic development, including the completed \$55 million renovations to the Grand Sierra Resort Tower, thus falling outside the realm of a blighted area which is in need of redevelopment to improve the “health, safety, and general welfare” of the area.⁷ Indeed, as the City itself has recently acknowledged, “[t]he Grand Sierra District consists mostly of the Grand Sierra Resort and the supplemental properties supporting the resort. As many of these parcels are well-kept and only serve the resort and guests, *there is little need for redevelopment in this area and thus little need for redevelopment funding support.*”⁸ While the Grand Sierra District may fall within the current boundaries of RDA 2, the district has not updated the Plan since 2019—despite the significant changes to the area in the past five years.⁹

² *Id.*

³ NRS 279.416.

⁴ RDA 2 Goal A from 2005 Plan.

⁵ *Id.*, Goal F.

⁶ *Id.*, Goal H.

⁷ NRS 279.416.

⁸ See City of Reno Redevelopment Agency Status Report, at pg. 37 (emphasis added).

⁹ RDA No. 1 and 2 Aerial and Map, available at <https://www.reno.gov/home/showpublisheddocument/83585/637177219320100000>.

Moreover, the Project does not align with the City's goal of redeveloping areas that cannot be redeveloped "*by private investment alone*, without public participation and assistance."¹⁰ As demonstrated by the Application and public statements from representatives and supporters of the Project, the Project does not require public participation and assistance. Indeed, Alex Meruelo stated at a September 27, 2024 press conference that the Project is the "largest private investment in the City of Reno."¹¹ University of Nevada Reno's president Brian Sandoval, speaking in support of the Project, stated at that same press conference that "[t]here will be no public dollars invested in the construction of this facility."¹² Further, at the October 23, 2024 Redevelopment Agency Meeting, Meruelo Gaming chief strategy officer Andrew Diss stated that the Project was not seeking bonds from the City, demonstrating the Project's viability without public participation and assistance.¹³ Thus, the Project seeks to utilize public money for the benefit of its owners despite their public admissions that the Project could and would be funded solely through private investment.

Ultimately, while the Grand Sierra District may benefit from the Project, this benefit is better funded through private investment, not public funding support, as the parcels and the Project serve the resort and guests. The Grand Sierra Resort has and will continue to develop without TIF assistance. At the same time, at the City Council meeting on October 23, 2024, the Council was informed that the City's general fund is projected to be in a deficit by fiscal year 2028, with significant increases to the deficit in subsequent years.¹⁴ At the City Council meeting on January 22, 2025, Council was informed by staff that increased expenditures and decreased revenues have resulted in the use of one-time funds to bridge budget gaps, and that relying on one-time funds for future budget gaps may not be an option, meaning the City's budget deficit is imminent.¹⁵ The optics of providing TIF for a project that can be built without it are not good, particularly when at the same time the City engages in bridge funding for the current budget and prepares to enact

¹⁰ RDA 2 Goal H from 2005 Plan (emphasis added).

¹¹ September 27, 2024 Press Conference at 15:05, *available at* <https://mynews4.com/news/local/renos-grand-sierra-resort-announces-plans-for-1-billion-entertainment-district>.

¹² *Id.* at 28:30.

¹³ October 23, 2024 Reno City Council Meeting at 7:10:57-7:11:42, *available at* https://www.youtube.com/watch?v=D2cPa6ntCNE&list=PLgN8R2mAccnasTHcBxdr_Lx1Lh2ITXEMG&index=8 ("I want to stay perfectly clear. Page 2 of our Application is where you check the box if you want to apply for bonds. We're not applying for bonds. I'm going to say that again—we're not applying for bonds. We have no intention of doing that.").

¹⁴ October 23, 2024 Staff Report by Vicki Van Buren, Director of Finance at pg. 60, *available at* <https://reno.primegov.com/Portal/Meeting?meetingTemplateId=6496>. At that same meeting, the City's financial office noted that the looming deficit is due to "[s]low revenue growth and increasing labor costs" that will "create challenges to get back to balanced budget in the future."

¹⁵ January 22, 2025 Staff Report by Vicki Van Buren, Director of Finance at pg. 2, *available at* <https://reno.primegov.com/Portal/viewer?id=0&type=7&uid=3a9c92cf-36d2-4098-b32e-8c9347ad675e>.

austerity measures to avoid a deficit in future years. A better use of RDA funds would be for the redevelopment of truly blighted areas, prioritizing community needs such as affordable housing.¹⁶

We respectfully request that the City Council take these comments under consideration before supporting RDA funds for the Project.

Sincerely,



Joshua J. Hicks

¹⁶ See NRS 279.425(1) (stating that the “provision of housing is a fundamental purpose” of Chapter 279); *see also* NRS 279.685 and NRS 279.676.

TERM SHEET
FOR
OWNER PARTICIPATION AGREEMENT
BY AND BETWEEN
CITY OF RENO REDEVELOPMENT AGENCY
AND
POWER SPORTS DEVELOPMENT LLC

This Term Sheet summarizes the principal terms and conditions of a proposed Owner Participation Agreement (“OPA”) between the CITY OF RENO REDEVELOPMENT AGENCY (the “Agency”) and POWER SPORTS DEVELOPMENT LLC, a Nevada limited liability company (“PSD” or “Participant”) to support their proposed development project. This Term Sheet is subject to approval by the Agency Board, is intended to be the basis for negotiation of the OPA, and is non-binding.

I. PARTICIPANT & CATALYST PROJECT ASSISTANCE PROGRAM

- A. Participant. PSD is an affiliate of The Meruelo Group, LLC, a Nevada limited liability company, and its affiliated companies, including AM-GSA Holdings, LLC, a Nevada limited liability company (“AM-GSA Holdings”). AM-GSA Holdings and Gage Village Commercial Development, LLC, a California limited liability company, own the Grand Sierra Resort (“GSR”). PSD, as the “Participant” under the OPA, shall own or ground lease the Project site for at least 10 years after completion of the Project improvements, unless the Agency approves an assignment to an eligible owner.
- B. The Program. The Project shall meet the Agency’s Catalyst Project Assistance Program (“Program”) eligibility requirements and the requirements of the Agency’s Redevelopment Plan for Redevelopment Project Area No. 2 (the “Plan”). Pursuant to the OPA, the Agency will provide tax increment financing (“TIF”) for the Project through reimbursement of a portion of the tax increment generated by the Project and paid as ad valorem property tax. The Agency’s TIF obligation shall be evidenced by a promissory note (the “Agency Note”) payable to Participant. Upon the completion of each eligible Project improvement (each, an “Eligible Improvement”), Participant’s reimbursable costs to develop the Eligible Improvement shall be added to the balance of the Agency Note. *The sole source of payment of the Agency Note shall be the tax increment generated by the Project site (i.e., the additional property tax generated by the Project property due to the increase in its assessed value between the date Participant submitted its Program*

application and the date the Project improvements are completed), subject to all applicable laws. The Agency will not issue bonds or other debt instruments to repay the Agency Note.

II. THE PROJECT

- A. Project. Participant's project (the "Project") is an arena development project located adjacent to the existing GSR, and includes a 10,000+/- seat arena, a 50,000+/- square foot community ice rink, a 2,400+/- space parking garage, and a golf driving range on the approximately 140-acre site (the "Project Site"). The Project Site is located in Redevelopment Area 2. The total estimated Project cost is \$786 million dollars, and Participant must make a minimum investment of \$50 million to be eligible for TIF under the Program.
- B. Eligible Improvements. The OPA shall identify discrete improvements within the Project, the cost of which shall be subject to reimbursement and added to the balance of the Agency Note upon completion of such improvement (each, an "Eligible Improvement") and Participant's payment of the applicable development costs. To be eligible for TIF, an Eligible Improvement must be completed within five years of the OPA effective date.

III. FINANCIAL TERMS AND CONDITIONS

- A. Tax Increment Reimbursement. The Agency shall make biannual payments under the Note equal to the applicable tax increment received by the Agency, multiplied by the Tax Reimbursement Percentage (defined below).
- B. Maximum Tax Increment Reimbursement. The maximum tax increment financing available for the Project under the OPA, and the maximum amount of the Agency Note, is \$68.1 million (the "Maximum Tax Increment Reimbursement").
- C. Agency Fee. Applicant will pay the Agency 1% of the Maximum Tax Increment Reimbursement as an Agency administration fee, which will be offset against the first tax increment payments otherwise payable to the Applicant pursuant to the Agency Note, until the Agency has received (retained) the entire Agency Fee.
- D. TIF Reimbursement Percentage & Related Conditions.

OPTION 1.	TIF Reimbursement Percentage = 100%
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	Fire Station 21 Condition: Participant shall cause the Fire Station 21 property currently leased to the City of Reno to be transferred to the Agency at no cost to the Agency by grant bargain sale deed, free and clear of monetary encumbrances, not later than the last day of the calendar month in which the OPA effective date occurs.
OPTION 2.	TIF Reimbursement Percentage = 90% Fire Station 21 Condition: The Fire Station 21 lease between an affiliate of Participant and the City shall be amended to extend the term, at market rate, annually, and grant the Agency an option to purchase upon terms to be negotiated between Participant and the City and set forth in the lease amendment, which terms shall include the legal subdivision of the parcel upon which Fire Station 21 is located and access easements.
OPTION 3.	TIF Reimbursement Percentage = 90% Riverfront Improvements Condition: The remaining 10% of the Tax Increment generated by the Project during the Term shall be used by the Agency to improve the riverfront area adjacent to GSR and to purchase the Fire Station 21 site for fair market value.

- E. OPA Term; Agency Note Forgiveness. The OPA term (the “OPA Term”) shall expire on the last day of the term of the Plan, which is August 24, 2035. The OPA Term and the Agency Note maturity date shall not be extended beyond such date, notwithstanding any amendment to extend the term of the Plan, if permitted by then-applicable law, unless otherwise agreed by the Agency Board, in its sole and absolute discretion. At the end of the OPA Term, any unpaid balance of the Agency Note will be forgiven.

IV. ADDITIONAL TERMS AND CONDITIONS

- A. Prevailing Wage. Applicant must pay prevailing wage rates as determined by the Nevada State Labor Commissioner for the Project improvements.
- B. Maintenance of Improvements. In accordance with Program requirements, Participant shall maintain the Project improvements for a minimum of five years following Project completion pursuant to a restrictive covenant to be recorded against the Project site, and the Agency shall conduct annual inspections to ensure that the improvements are maintained.

- C. Non-Binding Obligation. The OPA and Agency Note are subject to final approval by the Executive Director of the Agency. The final terms and conditions may vary from what is set forth in this Term Sheet if approved by the Agency Board.
- D. Representations, Warranties and Covenants. The OPA shall contain additional provisions to be negotiated between the parties, including customary representations and warranties, and covenants regarding the use of the Project property and improvements, non-discrimination, and insurance.
- E. Entitlement Approvals. The OPA does not grant any development or land use rights or constitute approval of any application or permit.