

ECONOMIC IMPACT ANALYSIS



City of Las Vegas Redevelopment Agency

Briefing Summary

Redevelopment Activity Attributable to the Agency



April 2009

ECONOMIC IMPACT ANALYSIS



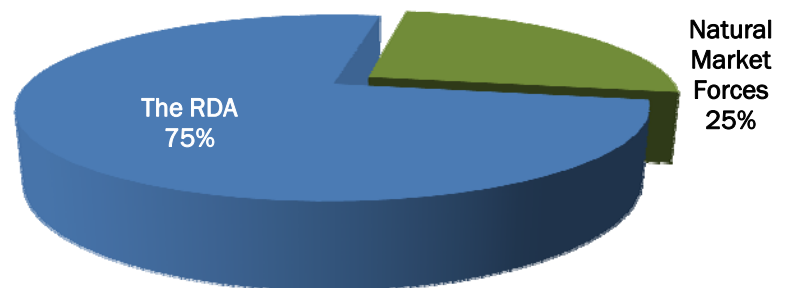
Applied Analysis was retained by the City of Las Vegas (the “City”) Redevelopment Agency (the “RDA”) to prepare summary responses to a series of follow-up questions regarding the economic and fiscal impacts of redevelopment areas, particularly the downtown redevelopment area created in 1986 (the “Redevelopment Area”). It is important to note Applied Analysis (“AA”) previously prepared a report titled *Economic Impact Analysis: City of Las Vegas Redevelopment Agency*, which was dated January 16, 2009 (the “Report”). While the Report responded to specific reporting requirements established by the City, additional questions have been presented by state legislators and other community stakeholders. This briefing is one in a series that is designed to respond to specific inquiries.

Generally speaking, these briefing documents provide the question presented, followed by a summary of findings and supported by a more detailed summary of the analyses undertaken. They are not intended to be comprehensive.

FINDINGS IN SUMMARY

Q: *What share of the investment within the Redevelopment Area would have taken place had the Redevelopment Area itself never been created?*

A: *Based on limited available information, it is estimated that better than 75 percent of new development within the Redevelopment Area would not exist today had the Redevelopment Area not been established.*



Estimated Sources of
New Development Within the RDA

ANALYSIS SUMMARY

Determining what share of the investment within the Redevelopment Area would have taken place had the Redevelopment Area itself never been created is an extremely challenging, if not impossible, question to answer. Opponents commonly suggest that development activity within redevelopment areas would have occurred with or without the host jurisdiction’s redevelopment activities, while those inclined to support redevelopment activities suggest that but for redevelopment efforts the blighted area in question would have fallen into an endless cycle of decline. Reality is somewhere between these two extremes.

Nevada sets out a fairly clear path for the establishment of redevelopment areas, and there should be no illusions as to why the City of Las Vegas chose

ECONOMIC IMPACT ANALYSIS



to create its downtown Redevelopment Area in 1986. Nevada Revised Statutes (“NRS”) Chapter 279 specifically allows for the formation of such districts as a matter of public policy, noting “conditions of blight tend to further obsolescence, deterioration and disuse...,” “the process of deterioration of a blighted area frequently cannot be halted or corrected except by redeveloping the entire area, or substantial portions of it...” and the merits of “protect[ing] and promot[ing] the sound development and redevelopment of blighted areas and the general welfare of the inhabitants of the communities in which they exist...” (NRS 279.420 and 279.424)

At the point of formation, the City’s Redevelopment Area met many of the criteria for a “blighted area” defined by NRS 279.388, as it faced obsolescence, deterioration and dilapidation. This is evidenced by the January 1986 *Report to the City Council on the Redevelopment Plan for the Downtown Las Vegas Redevelopment Area* (the “Redevelopment Plan Report”). A brief summary of the physical, social and economic conditions noted in the proposed redevelopment area are provided below.

- A visual survey of the proposed redevelopment area resulted in observations of deteriorated and dilapidated structures throughout the area as well as the determination that approximately 24 percent of city blocks in the area contained structures where varying degrees of deterioration were evident.
- “Junk” accumulation and inadequate or non-existent storage facilities were major contributors to the overall look of disrepair.
- The age of structures was cited as a factor, with natural progression of structural wear and tear being evident in buildings where adequate maintenance was not instituted.
- Inadequacy of size of older structures was cited. Small neighborhood-scale grocery, drug and clothing stores lacked sufficient space to display the ever-increasing range of products normally found in more modern, larger-scale stores, and generally lack adequate storage, loading and parking facilities needed for an efficient merchandising operation.
- Evidence of incompatible mixtures of uses were reported to be prevalent throughout the area; for example, lots occupied by multiple building types (e.g., older residences remain adjacent to commercial service alleys and loading areas).
- Virtually all of the structures in the proposed redevelopment area built prior to the 1960s were reported to have design defects, which did not conform to current building and/or fire codes. Buildings were reported to have been constructed in total disregard to architectural character or scale of surrounding structures (e.g., multistoried buildings overshadow adjacent one-story structures).
- Buildings located too close together or covering excessive portions of their lots were cited as causing reduced accessibility for

ECONOMIC IMPACT ANALYSIS



deliveries, emergency fire apparatus, light and air circulation. This development pattern was cited as 1) limiting off-street parking, 2) creating parking conflicts with traffic flows, 3) blocking access for firefighting purposes, 4) inhibiting fire fighting abilities and 5) resulting in shadows being cast upon adjacent structures.

- ❑ Shifting uses and vacancies were cited as prevalent in both commercial and residential properties.
- ❑ Based on data provided by the City of Las Vegas Department of Public Works, the existence of inadequate public improvements, facilities and utilities was particularly prevalent in two specific areas of the proposed redevelopment area, causing water lines constructed of narrow cast iron piping to have low volume output, streets that were poorly maintained and leakage onto sidewalks and curbs.
- ❑ The report stated that 40 percent of all streets in the area were inadequate and needed to be replaced or upgraded. Street lighting was reported to be inadequate or non-existent in certain portions of the area.
- ❑ Lots and parcels of irregular form, shape and size were reported in 12 percent of the area.
- ❑ The population within the proposed redevelopment area had substantially lower median household incomes.
- ❑ Overcrowding (i.e., an average of 1.2 households for every housing unit in the proposed redevelopment area compared to 0.9 households per housing unit in the City) and a prevalence of social maladjustment was reported (e.g., pickpockets, purse snatchers, assaults, robberies, auto thefts and larceny in higher proportion in the proposed redevelopment area as reported by the Las Vegas Metropolitan Police Department).

In addition to the Redevelopment Plan Report, the City also cited a housing code survey. In an inter-office memorandum dated February 11, 1986, it was stated that inspectors in the City's Department of Building and Safety conducted a code enforcement of 911 dwelling units (apartments and motels) in the downtown area and determined that numerous deficiencies and code violations existed in the majority of the units that were inspected.¹ Similarly, a crime analysis was performed based on call data reported by the Las Vegas

¹ These included: inadequate hot water heater rooms (potential fire hazard – holes in floors and ceilings), improper storage of combustibles, inadequate heating facilities, inadequate square footage for dwelling units, improper roof drainage, leaking roofs, broken treads on stairways, inoperative, non-existent and/or improperly placed smoke detectors, buckling flooring, holes in walls and ceilings, deteriorated balcony floorings, improper upper level railings, leaking interior wall pipes wetting drywall and stucco, and unrenovated burned-out apartments/rooms. Specific violations relating to several motels were cited. The memorandum stated that although the study was a small sampling of dwelling units within the proposed redevelopment area, it was typical of some of the older units in the area and a definite indication of blighting influences in the area.

ECONOMIC IMPACT ANALYSIS



Metropolitan Police Department (“Metro”) Crime Analysis Unit. This analysis determined that there were a higher percentage of calls for service, based on population, in the proposed redevelopment area when compared to the total area served by Metro (i.e., 1.1 calls per person in the proposed redevelopment area versus 0.4 calls per person throughout the urbanized service area).

These facts on the condition of the area notwithstanding, there were those who opposed the creation of the City’s Redevelopment Area. Among them was People United to Save Humanity (“PUSH”). In a letter dated February 6, 1986, PUSH expressed concern about the proposed redevelopment area and the impact it would have on future programs to develop black, locally-owned businesses and economic participation by local black individuals. PUSH also raised concerned that the proposed redevelopment area would benefit only large companies at the expense of smaller businesses and that its creation would negatively affect Clark County School District revenue. In a letter dated February 19, 1986, the Clark County School District expressed support for the City’s Redevelopment Area on the condition that no more than 10 percent of the City’s assessed valuation was included.² NV Energy (then Nevada Power), which had several parcels of land in the proposed redevelopment area, also expressed support for the area’s creation.

Clearly, the City’s Redevelopment Area is demonstrating a more positive economic and development trend today than it did in 1986. The Redevelopment Area has been expanded three times since its inception in 1986, and, according to information extrapolated from Clark County Assessor’s office data files, it has benefited from roughly \$2.7 billion worth of capital investment since inception. Roughly 60 City redevelopment projects have received some form of public assistance; these projects have a combined development cost estimated at \$3.0 billion.³

Certainly, one could make the argument that the provision of economic incentives was not a determinative factor in major Redevelopment Area investments. That said, the suggestion that major developments would have occurred in the absence of Redevelopment Area efforts cuts against the state’s regulatory structure, the City’s stated policy and affidavits submitted by project developers. Projects receiving tax increment incentives are required to execute, under penalty of perjury, an affidavit attesting to the fact that the project in question would not be feasible in absence of public support.⁴ To this

² It is noted that currently, the City of Las Vegas Redevelopment Area comprises approximately 3.9 percent of the assessed valuation of the City of Las Vegas.

³ The difference between the \$2.7 billion and \$3.0 billion is that the estimates derived from the Clark County Assessor’s office (\$2.7 billion) exclude increases in the value of land and the Assessor’s office tends to be conservative in the estimation of value; by contrast, the \$3.0-billion investment figure reported for “assisted” projects reflects developer estimates that are all-inclusive. Reconciling these differences is well beyond the scope of this analysis; however, these estimates do provide compelling evidence that a large share of the incremental investment occurring within the City’s Redevelopment Area is closely associated with its redevelopment efforts.

⁴ See, e.g., Chelsea Property Group (Las Vegas Premium Outlets) June 4, 2002, affidavit executed by the Senior Vice President of Real Estate for the Chelsea Property Group, Inc. stating, “After September 11, 2001, the Project suffered a dramatic decrease in interest from prospective key tenants due to the subsequent decline in tourism and retail sales in the market. As a result thereof, the Company is not satisfied that the Project will provide an acceptable risk-adjusted rate of return without tax increment financing from the City of Las Vegas.”; see also, An affidavit signed May 27, 2005, the President of Sahara

ECONOMIC IMPACT ANALYSIS



end, the City's documentation notes:

"To encourage development and ensure that a redevelopment project qualifies for tax increment financing, the Agency must evaluate a project receiving financial participation to determine that: (a) The buildings, facilities, structures or other improvements are of benefit to the redevelopment area or the immediate neighborhood in which the redevelopment area is located (NRS 279.486(1)(a)); and (b) **No other reasonable means of financing those buildings, facilities, structures or other improvements are available. (NRS 279.486(1))**" [emphasis added]

The final element that must be considered in this summary is development occurring within the Redevelopment Area with no direct nexus to the City or its redevelopment efforts. There are a number of projects that fit this mold; however, the ability to determine how the enhancement of the area attributable to the City's efforts influenced these investments, if at all, cannot be readily ascertained. That said, while some investment would certainly have occurred within the Redevelopment Area absent the City's efforts, some would not have. If it can be said that growth begets growth and decline begets decline, the combination of unfavorable conditions present at the 1986 creation of the Redevelopment Area and the \$3.0 billion in projects directly assisted through the City's redevelopment programs tends to suggest that its redevelopment efforts were influential, if not instrumental, in unassisted Redevelopment Area investment decisions.

Based on the considerations above, the majority of value created would not have happened within the jurisdiction of the once blighted area but for either the positive effects resulting from or the assistance provided by the Redevelopment Agency. The RDA itself reports identifiable combined investments of \$3.0 billion, of which a portion represents public assistance. Spillover effects of these efforts must also be considered, though it should be assumed that in the absence of a Redevelopment Area, some projects attracted by other positive development may have come regardless. Conservatively an estimated 25 percent of development would have occurred regardless, and 75 percent of the development would not have occurred without the creation of the Redevelopment Area.

ANALYSIS LIMITATIONS

As with any analysis, there are important limitations that must be considered when drawing conclusions from the data utilized. It is worth noting this analysis is intended to be a supplement to the Report.

It is also important to note that this is a single analysis addressing a single issue. It is not intended to be comprehensive nor are the underlying data appropriate for all purposes.

Development LLC stating, "I hereby warrant that tax increment financing assistance from the Agency will allow the Applicant (Sahara Development, LLC) to undertake and complete the project which it could not otherwise complete."