



Office of Business Development

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Date: December 10, 2009
To: Board of Supervisors
From: Joe McCarthy and Tammy Westergard
Subject: Staff report on the Nugget Economic Development Project

Last month, the Board of Supervisors directed staff to return with specifics regarding the proposed Nugget Economic Development Project. The Board of Supervisors requested:

- Further justification of the Project's underlying premise of job creation;
- Details of the scale of the development;
- Possible uses on the Carson Nugget's properties;
- A preliminary public/private finance plan;
- A complete fiscal and economic impact analysis;
- An intended work schedule;
- A summary of partnerships, community relationships and endorsements; and,
- Verification of sufficient interest from the master developer community.

Last month, the Carson Nugget, Inc. commissioned a market economic impact and financial analysis study by Meridian Business Partners to determine whether the goals of the proposed Nugget Economic Development Project are consistent with those of the community at large. These goals include:

1. Diversify our economy to offset our current declines;
2. Create jobs throughout the community, and;
3. Benefit our younger population with job opportunities, training and resources.

The Meridian Report clearly confirms that the Nugget Economic Development Projects benefit both the fiscal and economic health of Carson City and the region. It tells a profound story about why this project should be an imperative for the Board of Supervisors' consideration.

The scope of the Nugget Economic Development Project is multifold, but each component of the Project, both public and private, has a direct relationship to job creation. The Project's centerpiece is the construction of the Knowledge and Discovery Library. The Library will be home for civic engagement, a centrally located gathering place for all citizens to pursue continuous learning, conduct research and access the latest technology in pursuit of knowledge. The Library will be connected seamlessly to a Business and Technology Incubator. This incubator program is intended to speed up the successful maturation of local entrepreneurial ventures that will be invited to be part of the Project. The incubator will make available a myriad of business support services and resources, plus regional and national networking opportunities.

Approximately 2,700 incubators, mostly non-profits, currently operate in North America as they successfully graduate greater than 33,000 companies, of which 87 percent are still in business producing annual revenues exceeding 19.5 billion dollars and employing 142,000 workers. The focus of the Project's business incubator is to create new jobs to the area, encourage prudent growth and build a diversified local economy. Good jobs increase income levels, expand the tax base, and support local development, such as transportation, education, recreational amenities and create an entrepreneurial, lifelong learning culture.

The Project's scope also includes the addition of a Public Plaza. This public plaza could be an actively programmed town center with pedestrian, bicycle and public transit access, a landscaped gathering space with arenas for outdoor performances. Certain real estate interests looking at this project recognize the value added by a centrally located community retreat that highlights gardens, concert areas, panoramic views, public art, public markets, outdoor courtyards, a mix of crowds, centralized transit connections, outdoor movies on giant video screens. This public space will be adjacent to in-town residences, shopping, dining, civic institutions, and a concentration of public offices, city hall and the capital complex.

The scope of the Project proposes:

- Knowledge and Discovery Library, approximately 50,000 – 60,000 square feet
- Business and Technology Incubator, approximately 15,000 – 20,000 square feet
- Digital Media Lab, approximately 10,000 – 15,000 square feet
- A regional public transit center
- 60,000 - 80,000 square feet of Class A office
- 50,000 – 100,000 square feet of trend retail, new to the trade area
- 50 - 100 in-town housing units
- 500 parking spaces as part of a mixed use parking system to serve the entire project
- An entertainment and cultural component that may include an IMAX theater, a first-run, art-film house, or a repertory theater

The Preliminary Finance Plan addresses the costs to construct the assorted public and civic improvements that include the Knowledge and Discovery Library, the public plaza, the Business and Technology Incubator, the Digital Media Lab, the transit center, the public infrastructure and the parking system. In partnership with the City, the master developer will fund the private development: office buildings, retail, residential and entertainment.

Total project costs are projected to be approximately \$90,000,000. The allocation of public funding is exclusively for public and civic improvements, approximately \$40,000,000. Public revenues may come from several of the following possible sources: the incremental increase in property taxes generated exclusively by the project itself, a possible 0.125 percent increase in sales tax, a possible earmarking of a portion of the funds currently set aside for a future recreation center

or other City/RDA capital funds. No increase in real estate taxes is part of this funding plan. The master developer chosen for the Project will fund all the private development.

The list of active partners in the Project continues to grow and solid institutional and community-based relationships are forming, each expressing a profound understanding of the importance of this project. These stakeholders range from the Carson Nugget Inc., specifically the Hop and Mae Adams Trust, several members of the master developer community, business startups and early stage entrepreneurial ventures, educational institutions, varied business membership organizations, public institutions large and small and our active and involved service clubs.

Increasingly, communities throughout the country are turning to strategies that promote the growth of a critical mass of small businesses and new industries in their region to leverage competitive advantages and drive sustainable growth. At this time in Carson City, the newly formed Mae & Hop Adams Trust envisions a foundation that supports the job creation elements of the proposed Nugget Economic Development Project. This new charitable foundation has an ambition for Carson City to put together a regional knowledge and competency system, specifically emphasizing the formation of a critical mass of small business networks that will eventually lead to increased employment opportunities and wealth generation. Its mission is to promote inventive, smarter ways to deliver sustainable economic development, foster cutting-edge educational initiatives from pre-K to a lifelong learning, and look at unique ways of combining our existing technologies with the latest innovations, research capabilities and cultural initiatives.

High unemployment punishes the present and the future. The face of our region's depressed economy will hurt for years to come. The burdens of high unemployment fall disproportionately on our young workers causing permanent career damage and never allowing them catch up. This Project hopes to mitigate these conditions and give our community a project in which we will all take pride. Staff requests the Board of Supervisors take the following actions on Dec. 10, 2009:

1. Provide staff with the authority to return with specific Business Terms on February 18, 2010. These terms will form the basis for the execution of a "Disposition, Development Agreement (DDA) between the Redevelopment Authority, Board of Supervisors, Carson Nugget, Inc and Master Developer.
2. Approve the following Letters of Interest (LOI). (These LOI's empower the potential partners to begin work, spend their resources and start delivering their responsibilities within the project, e.g. finalizing media production contracts and signing up incubator participants.):
 - The management firm that will run the Business and Technology Incubator
 - The manager of the proposed Digital Media Lab
3. Approve the draft, proposed finance plan.
4. Approve the potential project schedule, including a draft schedule of future Board actions.
5. Approve the Meridian Business Advisors Report: Nugget Economic Development Project, Market, Economic Impact and Financial Analyses.