

WEST WENDOVER ECONOMIC DEVELOPMENT STRATEGY

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Prepared for the

City of West Wendover

Prepared by

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EXECUTIVE SUMMARY

The City of West Wendover obtained a State CDBG Planning and Technical Assistance Grant to prepare an economic development strategy that provides direction on how to diversify the economy and become less dependent on gaming. The purpose of this report is to develop a base of information that helps community leaders to better understand West Wendover's economic base and market position. More importantly, the report provides a direction for city initiatives, and answers questions about industries or sectors on which West Wendover should focus their efforts. This report provides a direction on how to focus the city's economic development efforts and maximize its opportunities. The key economic development findings are described below.

- West Wendover can immediately benefit from an effort to attract retail developers to build at least 200,000 SF of visitor serving retail space. There is an unmet market demand for new retail based on West Wendover's existing visitor base.
- West Wendover should continue to proceed with its efforts to annex new land, thereby expanding the land supply available for business and residential development. West Wendover will not be able to attract warehouse and transportation firms without an additional supply of land.
- West Wendover should establish standards that encourage new casinos to offer a range of entertainment and

recreation amenities. West Wendover should avoid new casinos that simply multiply the community's existing gaming product.

WEST WENDOVER'S NEED FOR ECONOMIC DIVERSIFICATION

The data enclosed in this report shows that 90 percent of the available jobs in West Wendover are created by five casino and hotel complexes. Moreover, the city's largest source of locally generated revenues was created by the casinos. The city's dependence on gaming as a single source of job generation and fiscal revenue establishes a compelling need for the City to attempt to diversify the economy.

Gaming Industry Diversification Opportunities

The possible expansion of gaming in West Wendover is a contentious subject among community leaders. There are currently five casino/hotels established in West Wendover; all are located along Wendover Boulevard. The casinos have always struggled to overcome their image as a second-class weekend destination. The proximity to Salt Lake City makes it feasible to attract day visitors who spend their money exclusively on gaming. As a consequence, the casino business is strong and occupancy rates are high on the weekends. Conversely, the casino owners severely discount room rates and struggle to fill up the gaming tables on the weekdays.

West Wendover's casinos expanded their gaming floor space by 36 percent between 1995 and 1999, from approximately 110,000 square feet to 149,000 square feet of space. This expansion has resulted in a comparatively soft gaming market, as West Wendover casinos generate only \$875 of revenue per square foot compared to the statewide average of \$1,007 per square foot (excluding the Las Vegas strip). In addition, West Wendover's occupancies and room rate revenues are among the lowest in Nevada.

Market Area Spending and West Wendover's Capture Rate

It is estimated that Wasatch Front households spent \$218 million on gaming during the year 2000, and West Wendover captured approximately 60 percent of the spending. Approximately one-fourth of the Wasatch Front spending was captured by Las Vegas, and 15 percent of gaming spending was captured by smaller gaming markets such as Mesquite or Reno/Sparks. Essentially, West Wendover captures a strong percentage of regional market share, and is in good position going forward if the supply of gaming facilities are diversified.

Potential for a New Casino in West Wendover

The data analysis in this report suggests that West Wendover's casinos are earning well below the state average, and need to absorb more sales either through regional growth or improved marketing that attracts gaming customers away from Las Vegas and other competitive venues. The growth projected

through 2010 will allow West Wendover's casinos to capture more sales without building new facilities. By 2020, however, the regional growth will be sufficient to support 60,000 SF of new gaming space without attracting additional market share from Las Vegas and other competitive gaming venues.

The projected growth rates could be moved forward if a new facility was built that expanded West Wendover's market share beyond 60 percent of the region's spending. For example, the development of a Las Vegas style gaming complex could be supported in the short term without depending upon new growth. This type of gaming industry growth would significantly diversify the local economy.

RETAIL DEVELOPMENT OPPORTUNITIES

From a retail standpoint, West Wendover and Wendover, Utah should be viewed as one community. Residents of the two communities lack an adequate supply of retail and personal services such as medical, auto and household repair, beauty, pet care, photo processing, and other services. An important economic development goal is to expand the selection of retail and personal service establishments available for area residents.

The data analysis included in this report suggests that local residents can benefit from the market power created by West Wendover's gaming customers. West Wendover has the potential to capture up to \$49 million of visitor spending on retail and

support services. Much of this spending is not currently captured due to a lack of retail shopping options.

Conversely, retail spending by local residents is relatively small and not sufficient to support an expansion of local businesses. Local residents spend \$30.8 million on food and retail products. However, West Wendover retailers (including businesses inside casinos) capture \$46 million of spending. Essentially, West Wendover businesses achieve a net capture of spending from gaming patrons. There is additional visitor spending to be captured.

Retail Development Potential

The data enclosed in this report indicates that West Wendover can support the development of approximately 200,000 square feet of new retail space that captures potential visitor and local resident spending. This unmet market demand creates an opportunity to develop a new town center apart from the casinos. Such a development would require at least 20 acres to accommodate the parking requirements.

Of course, the town center concept would be negated if one of the existing casinos can successfully add the space to their existing facility. Alternatively, new retail space can be built into any new Las Vegas style casino/resort complex.

OTHER BUSINESS ATTRACTION OPPORTUNITIES

The ability of West Wendover to attract manufacturing, wholesale, and distribution

establishments relates to regional job growth, transportation corridors, and pressures to establish new business locations. In this regard, West Wendover holds a distinct locational advantage over other communities in Elko County and elsewhere in Northeast Nevada. West Wendover's geography is oriented toward the Wasatch Front economy with a distinctly different economic niche than the mining-dependent Elko County communities.

The market demand for manufacturing and distribution businesses is very weak, and there is no compelling reason for business to locate in West Wendover except to take advantage of Nevada's absence of personal and corporate income taxes. Moreover, West Wendover has no prepared sites with infrastructure, and no available buildings for potential manufacturing, warehouse, or distribution tenants. West Wendover's ability to attract transportation, distribution, and manufacturing establishments will partially depend on its ability to offer specific real estate sites that are competitively priced to meet business needs.

Thus, West Wendover relies upon market forces to invest in sites and buildings for business prospects. Most likely, developers and investors will seek businesses that are relocating or expanding away from Wasatch Front communities. West Wendover will only be able to attract those firms if it can offer lower business costs to compensate for its distance from the metropolitan area.

INFRASTRUCTURE SYSTEMS CAPACITY

The ability of West Wendover to diversify its economy directly relates the capacity of its infrastructure systems to manage growth and accommodate business growth. The adequacy of these systems is summarized below.

Transportation.

West Wendover's primary economic development asset relates to its outstanding location on Interstate 80 connecting Reno and Salt Lake City. The highway access makes it possible for West Wendover to serve metropolitan areas along the corridor. The Wendover Airport, located across the state line in Utah, is a general aviation airport that has capacity to handle air cargo and commercial aircraft. West Wendover also has the benefit of cross-country rail service as Union Pacific's main east west line passes through the community. However, the long-distance passenger rail service is unable to stop in West Wendover due to a single track running through the area

Utility Systems

The utility systems in the City of West Wendover must be adequate to support growth if the city is going to be successful in its economic development efforts.

- Electrical service is provided by Well Rural Electric Company (WREC), and there appear to be no constraints to extending electrical services to new businesses prospects.

- Water delivery service is being upgraded, and the system has the capacity to support significant residential and business growth in the future.
- The sewage treatment facility is also being upgraded to allow additional wastewater beyond its current rate of 100,000,000 gallons per year. It appears that the sewage treatment plant has the capacity to accommodate future residential, retail, and gaming industry growth.
- Lack of natural gas is a significant constraint to West Wendover's ability to sustain growth. West Wendover is projected to have access to a natural gas pipeline by mid-decade. However, businesses must currently rely on the purchase of liquid petroleum gas.
- A fiber optic backbone network will soon be installed that will provide access to high speed telecommunications essential for a growing economy.

ECONOMIC DEVELOPMENT MARKETING EFFORTS

West Wendover's efforts to market the community suffers from the lack of a cohesive private sector that is dominated by large casinos. The individual casinos do an excellent job at promoting their establishment. They all have web sites and make significant advertisement expenditures in the Wasatch Front communities. However, the casinos are very competitive with each other and have not put together any joint marketing efforts. There is no

association of casinos working together to jointly promote West Wendover as a gaming destination. Moreover, there is no functioning Chamber of Commerce working to promote the interests of other private businesses.

Due to the lack of a cohesive private sector, the City of West Wendover has stepped into an economic development marketing leadership role. The City has put together an excellent package of materials that it sends out to business prospects. This includes a promotional video, a 16-page promotional brochure, and a “Snapshot” community profile book filled with detailed (but sometimes dated) information and useful business cost data.

ECONOMIC DEVELOPMENT INCENTIVES

Financial incentives available to business prospects interested in a West Wendover location are primarily state incentives that are available to every community in Nevada. The real benefits of a Nevada location include the absence of personal and corporate income taxes. These state tax incentives have played a role in the success of attracting businesses to Reno/Sparks and the Las Vegas metropolitan areas. They could also be very useful in West Wendover’s economic development efforts.

EXPAND THE LAND SUPPLY THROUGH ANNEXATIONS

West Wendover currently has a limited supply of land available for residential and business development and is seeking to expand the land supply through three

possible annexations. The Wendover Air Force Auxiliary Field is a former bombing range that is now used as a flight training area. The City is trying to annex 15,000 acres of the airfield and create the Port of West Wendover, which will be chartered to manage the development of a 3,000-acre multi-modal industrial airpark. The possible development of the Port of West Wendover would create sites for manufacturing and distribution businesses. However, this property will only be available for development if the City is successful in their attempts to transfer ownership for civilian uses.

An additional attempt to expand the land supply involves the annexation of Big Springs Ranch (BSR), located adjacent to the city limits. BSR includes 6,400 acres of privately owned property with water rights. The new ownership is negotiating with the City about future land uses and landowners are working with the City about potential land uses and the terms of a potential annexation. The annexation may take only 90 days after approval by all parties of a land development and annexation proposal.

The highest profile project in the City involves the potential annexation of Wendover, Utah. The proposed annexation makes a lot of sense from an economic development perspective. The two communities could streamline administrative operations, and West Wendover would gain a greater share of control over the Wendover Air Field reuse, which is currently managed by Tooele County.

RECOMMENDATIONS

There are a limited number of actions that City can initiate to help diversify the economy. For example, the city can use its financial and manpower resources to proactively recruit businesses to the community. The City can also help facilitate land development through financial incentives and the expansion of infrastructure systems required for business development. Moreover, the City can assist with business retention, small business assistance, and business lending programs. The following set of recommendations represents projects and actions that city staff and the community can work on immediately.

Recommendation #1

City staff and community leaders should launch a marketing effort to attract developer interest in a town center that would include up to 200,000 SF of new retail space. It is a community goal to expand the supply of retail services available to residents. The analysis enclosed in this report makes it clear that there is a market opportunity for significant retail expansion that attracts additional spending from gaming customers already in West Wendover. The retail expansion can be supported without attracting new visitors and growth.

Recommendation #2

City should redesign promotional tools to take advantage of immediate retail development opportunities. The city can immediately begin promoting the planned

town center for new retail investment. The retail development opportunities identified in this report should be summarized and distributed to potential investors and business prospects. The Town Center plan should be included in the promotional effort.

Recommendation #3

The City of West Wendover should create planning requirements to guide the development of a new casino/resort complex modeled after the Las Vegas style of gaming and entertainment complexes. Requiring a new casino to offer non-gaming spending options will diversify the economy and reduce the dependency on gaming as a sole source of revenue. New casinos that replicate the existing supply are not economically viable.

Recommendation #4

The City of West Wendover should not allow heavy industry manufacturers to be located in the community. Heavy industry such as a chemical plant would most likely detract from the community's aesthetics, and may damage the tourism industry.

Recommendation #5

The City of West Wendover should carefully analyze the economic and fiscal impacts of the proposed West Wendover merger with Wendover, Utah. It is essential that the City negotiate a fiscally sound merger without the long-term debts incurred by Wendover, Utah.

Recommendation #6

The City of West Wendover should explore the feasibility of acquiring an Amtrak stop. An Amtrak stop would improve West Wendover's transportation linkages along the east-west rail corridor. It would also set the stage for regular rail travel between West Wendover and Salt Lake City.

Recommendation #7

The City of West Wendover should continue its attempts to annex the Wendover Air Force Auxiliary Field. Annexation of the Air Force auxiliary field is a critical element of the city's efforts to establish the Port of Wendover, which will add to the land supply and offer economic development incentives.

Recommendation #8

The City of West Wendover should continue to work with BSR property owners on land planning and annexation of the property. This annexation is vitally important to the city's future because it creates a supply of new privately owned land that can be developed for commercial and residential uses. The development of the property would also facilitate the general growth of population and business activity that West Wendover seeks to capture.

**RECOMMENDED ACTIONS FOLLOWING
THE BSR ANNEXATION**

The following set of recommendations represent projects and actions that city staff and the community can work on only after additional developable land has been planned and annexed into the city.

Recommendation #9

The City of West Wendover should attract transportation, warehouse, and distribution firms once appropriate sites have been prepared. West Wendover has an unmet market opportunity to attract trucking, warehouse, and distribution establishments that will help the community diversify its economy. It is not recommended that West Wendover proactively recruit transportation and distribution firms until adequate sites have been identified.

Recommendation #10

The City of West Wendover should not invest financial and staff time resources on efforts to attract light industry manufacturing establishments. However, appropriate sites for light industry should be identified on the BSR property and offered to interested prospects. The investment of time and money to attract light manufacturing is not likely to be successful and, therefore, is inadvisable.

1. NEED FOR ECONOMIC DIVERSIFICATION IN WEST WENDOVER

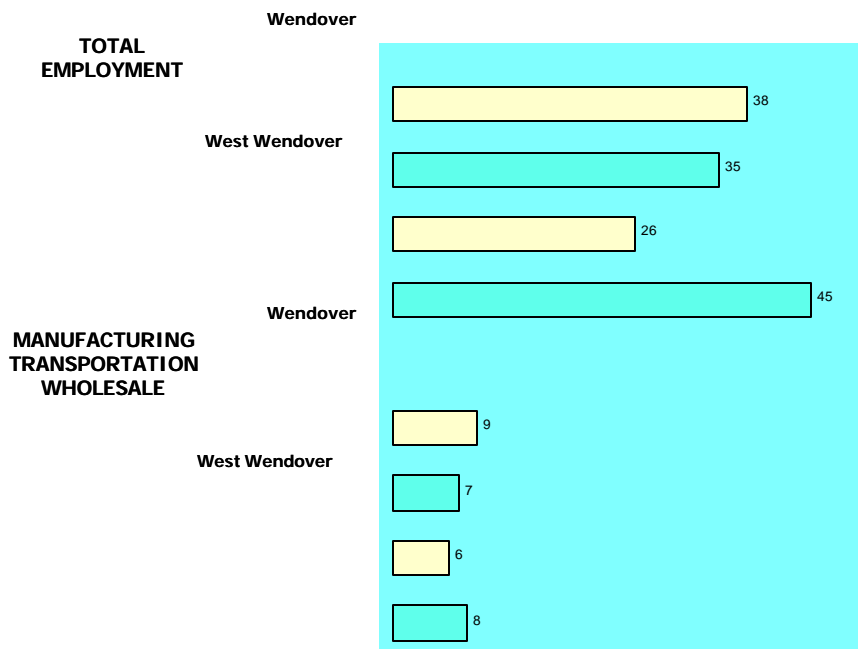
The City of West Wendover is seeking ways to diversify its economy and provide a greater range of services for community residents. One economic diversification approach focuses on business attraction efforts that target transportation, wholesale trade, and manufacturing establishments to West Wendover. A second economic diversification approach focuses on taking advantage of West Wendover's location as a casino destination by attempting to attract more gaming and visitor serving businesses.

information collected from the US Census in Figure 1 provides data on the number of establishments by sector. This data substantiates the common belief that the economy of Wendover, Utah is on the decline while the economy of West Wendover is expanding. In 1994, Wendover, Utah had a total of 38 establishments, which declined to 35 establishments by 1997. In contrast, West Wendover had 26 establishments in 1994, which expanded to 45 establishments by 1997.

There is very little available data about the economy of West Wendover and neighboring Wendover, Utah. However,

FIGURE 1

**Growth Of Establishments
In Wendover And West Wendover
1994 -97**

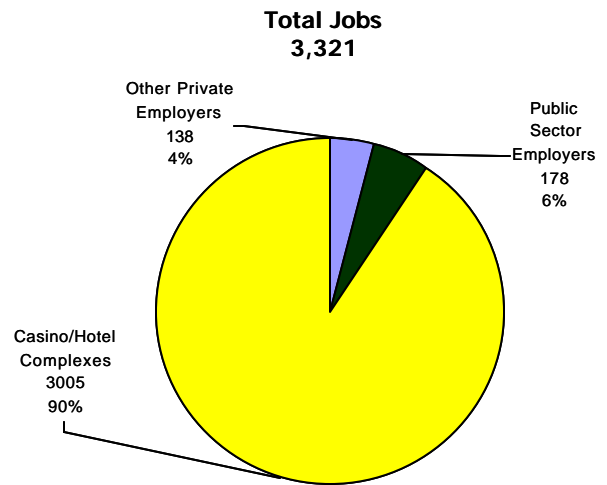


Source: Applied Development Economics based on data collected by US Census

Data in Figure 2 shows that West Wendover's ten largest establishments generated 3,321 jobs in 1999. Of this total, approximately 90 percent (3,005 jobs) comes from the five casino and hotel complexes. Local government agencies create about five percent of the jobs (178), while two local non-gaming employers account for another five percent.¹ The data suggests that almost all of West Wendover's economy depends on the gaming industry's success.

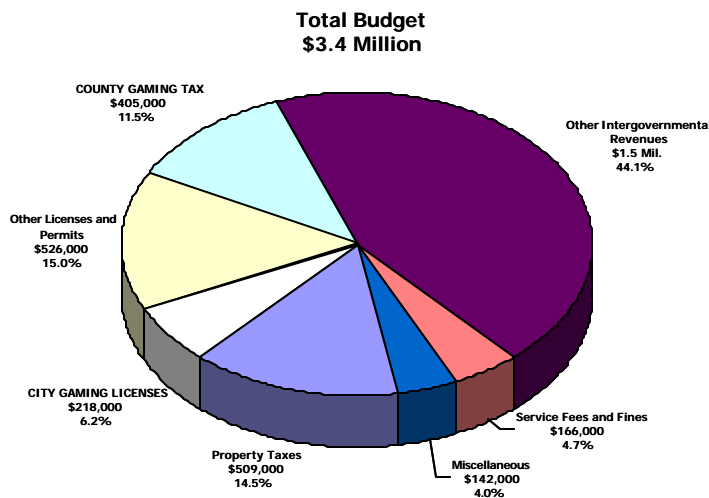
Data in Figure 3 indicates that a significant portion of West Wendover's fiscal base relies upon casinos as an important revenue source. In fiscal year 1999/2000, the City received \$3.5 million in revenue from taxes and other sources. Of this amount, \$623,000, or 18 percent of the total, came from casino license fees and gaming taxes. Essentially, West Wendover has a single industry economy that is dependent upon consumer willingness and capacity to gamble.

FIGURE 2
West Wendover's Ten Largest Employers
1999



Source: Applied Development Economics based on data collected by West Wendover Community Development Department

FIGURE 3
Sources of General Fund Revenue
City of West Wendover
FY 1999/2000



Source: City of West Wendover and Kafoury, Armstrong & Co.

The city's dependence on gaming as a single source of job generation and fiscal revenue establishes a compelling need for the city to attempt to diversify the economy. This report provides a direction on how to focus the city's economic development efforts and maximize its opportunities.

¹ See Appendix A, Table A-1 for more detailed data

2. GAMING INDUSTRY DIVERSIFICATION OPPORTUNITIES

The possible expansion of gaming in West Wendover is a contentious subject among community leaders. There are currently five casino/hotels established in West Wendover; all are located along Wendover Boulevard. The Peppermill has 192 rooms, with an additional 112 rooms under construction. The Rainbow Hotel and Casino includes 302 rooms. The State Line has 499 rooms, and the Silver Smith has 250 rooms. The Red Garter, a smaller casino, also has attached hotel rooms. In total, West Wendover has an inventory of nearly 1,500 hotel rooms.

West Wendover's casinos have always struggled to overcome their image as a second-class weekend destination. The proximity to Salt Lake City makes it feasible to attract day visitors who spend their money exclusively on gaming. As a consequence, the casino business is strong and occupancy rates high on the weekends. Conversely, the casino owners severely discount room rates and struggle to fill up the gaming tables on the weekdays.

During the past two years, new investors have expressed an interest in establishing additional casinos in West Wendover. For example, a group of private investors intends to propose a new casino/resort complex that includes 60,000 square feet of additional gaming space, a 375-room hotel, and numerous entertainment facilities modeled after the Las Vegas concept. If developed, the facility would be the largest

casino in West Wendover, and would expand the supply of gaming space by 40 percent.

2.1 WEST WENDOVER'S GAMING AND HOTEL MARKET

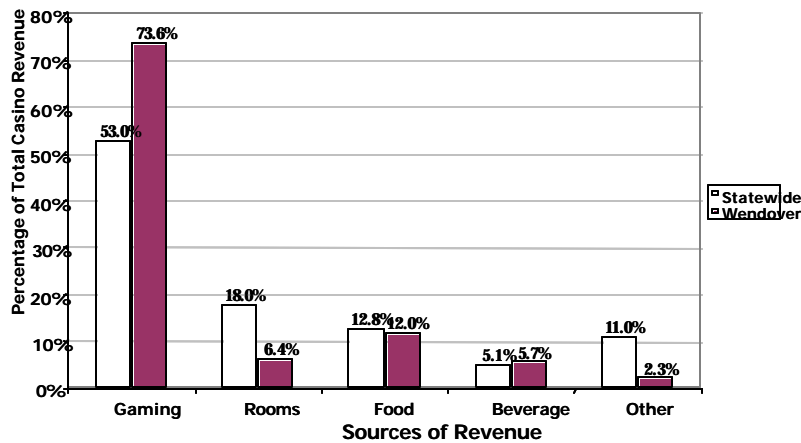
West Wendover's casinos generated about \$130 million of casino gaming revenue in 2000 and have slowly increased their share of the Nevada market over the past decade as shown in Figure 4. Between 1988 and 2000, the casino gaming revenue in West Wendover nearly doubled in real dollar terms, and West Wendover's share of the total gaming revenue in Nevada has increased from 1.0 percent in 1988 to 1.4 percent in 2000. In the early 1990s, gaming revenue growth for the West Wendover casinos outpaced the rest of the state, and since 1995 West Wendover has held roughly the same share of the statewide gaming revenue.



West Wendover is a significant gaming destination for Wasatch Front residents.

Data in Figure 5 indicates that West Wendover is almost exclusively a gaming destination. Gaming accounts for about 74 percent of West Wendover's casino revenues. In comparison, casinos throughout the state earn only 53 percent of their revenues from gaming, and rely more on room rate and entertainment revenues. The data indicates that Nevada casinos earn 18 percent of their revenues from room rentals. In West Wendover, however, only 6 percent of casino revenues are earned by selling hotel rooms. In addition, 11 percent of Nevada's casino revenues are earned through

FIGURE 5
Casino Revenue Sources
in West Wendover and Nevada
2000

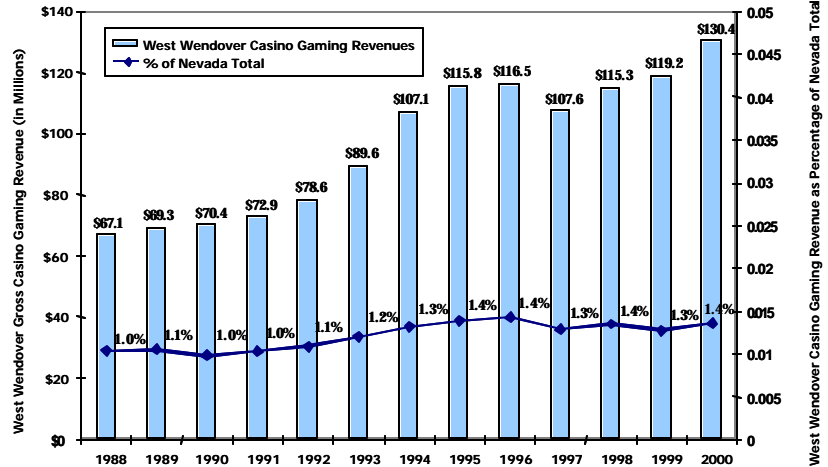


Source: Nevada Gaming Control Board

Note: Data reflects gaming licensees with more than \$1 million of annual gaming revenue, and reflects 1999-2000 fiscal year

entertainment spending. West Wendover's

FIGURE 4
West Wendover's Casino
Gaming Revenue Trend
and Market Share
1989 - 2000



Source: Nevada Gaming Control Board and Bureau of Labor Statistics

Note: Data adjusted for inflations

casinos earn only 2.3 percent of revenues from other sources including entertainment.

Data in Figure 6 indicates that West Wendover's occupancies and room rate

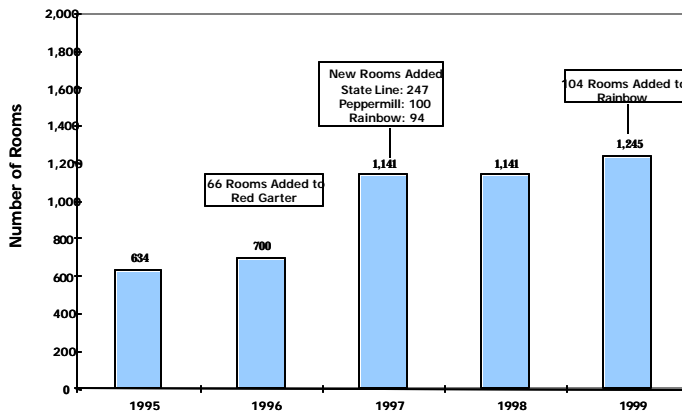
revenues are among the lowest in Nevada. The 2000 data indicates that average occupancy rate among West Wendover's casino/hotels is approximately 70 percent, compared to a statewide average of 88 percent.

Moreover, West Wendover's room rates average approximately \$34 per room, which is lower than all other gaming markets in the state except for Laughlin at \$30 per room. Throughout the state, room rates average \$78 per room.

Data in Figures 7 and 8 suggest that West Wendover casinos went through significant expansion between 1995 and 1999. Figure 7 shows that the number of hotel rooms in West Wendover nearly doubled from 634 to 1,245 between 1995 and 1999. Data in Figure 8 indicates that West Wendover's casino floor space expanded from approximately 110,000 square feet to 149,000 square feet of space by 1999. This represents a 36 percent expansion of gaming space.

This expansion has resulted in a comparatively soft gaming market for

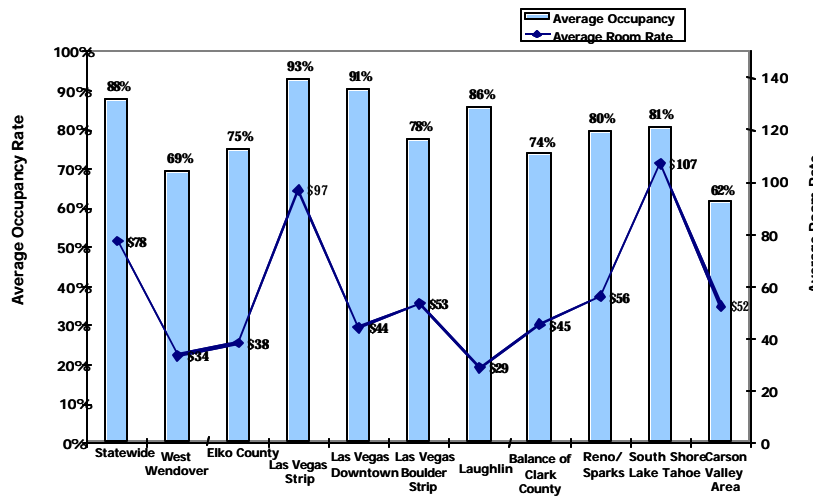
FIGURE 7
Supply of Casino Hotel Rooms
in West Wendover
1995 - 1999



Source: Applied Development Economics, City of West Wendover

West Wendover, as shown in Figure 9. West Wendover's casinos generate only \$875 of revenue per square foot compared to the statewide average of \$1,300 per square foot. However, after removing Las Vegas Strip and South Shore Lake Tahoe from the totals, the statewide average gaming revenue per square foot goes down to \$1,007. This is about \$125 higher than the average for the

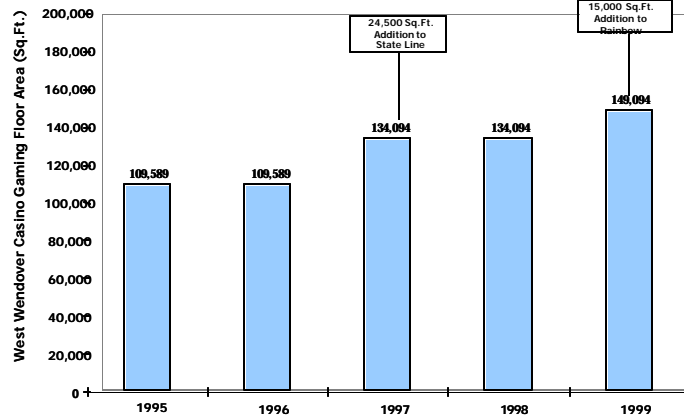
Figure 6
Room Occupancies and
Average Room Rates in the Nevada Casino Market
2000



Source: Nevada Gaming Control Board and Bureau of Labor Statistics

Notes: Data only includes gaming licensees with more than \$1 million of annual gaming revenue, and reflects 1999-2000 fiscal year.

Figure 8
Expansion of Casino Floor Space
in West Wendover
1995 - 1999



Source: ADE, City of West Wendover

West Wendover casinos, which have had held their market share in total gaming revenue since 1995.

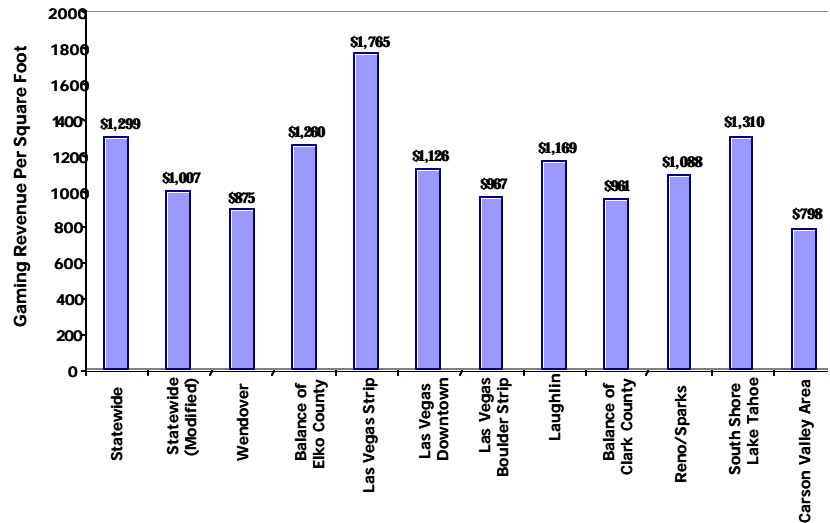
2.2 CURRENT MARKET AREA CASINO SPENDING AND WEST WENDOVER'S CAPTURE RATE

Data in Figure 10 estimates that Wasatch Front households spent \$218 million on gaming during the year 2000.² West Wendover captured approximately 60 percent of the spending. Approximately \$57 million, or one-fourth of the Wasatch Front's gaming expenditures, was captured by Las Vegas. A final \$30 million of gaming spending was captured by smaller gaming markets such as Mesquite or Reno/Sparks. The data suggests that West Wendover has captured a strong percentage of regional market share, and is in good position going forward if the supply of gaming facilities are diversified.³

2.3 U.S. GAMING TRENDS

Data in Figure 11 indicates that gaming participation is high across the country. About one-third of US adults have visited a casino in the past 12 months, and casino gambling is second only to playing the lottery. In addition, approximately 16

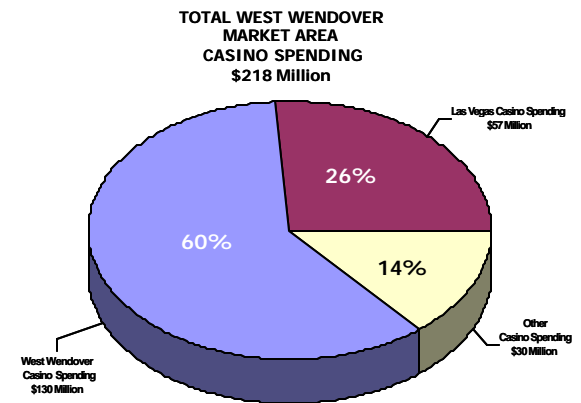
FIGURE 9
Revenue Per Square Foot in West Wendover and Other Nevada Gaming Markets 2000



Source: City of West Wendover

Note: Data only includes gaming licensees with more than \$1 million of annual gaming revenue, and reflects FY 1999/2000. Modified statewide average excludes Las Vegas Strip and South Shore Lake Tahoe.

Figure 10
CURRENT MARKET AREA CASINO SPENDING AND WEST WENDOVER'S CAPTURE RATE 2000



Source: ADE, estimates based on data from Nevada Gaming Control Board, 2000 US Census of Population, Utah Governor's Office of Planning and Budget, Nevada State Demographer's Office, National Gambling Impact Study Commission, Christiansen/Cummings Associates, Las Vegas Convention and Visitors Authority, and GLS Research.

Note: West Wendover market area defined as Wasatch Front (Davis, Morgan, Salt Lake, Tooele, and Weber counties), Mountainland (Summit, Utah, and Wasatch counties), and West Wendover. Spending estimate assumes that market area casino spending grew from 1997 to 2000 at an annual inflation-adjusted rate of 2.6%.

percent of US consumers participate in Indian gaming, and another 12 percent participate in riverboat gambling.

² See Appendix A, Table A-2 for detailed population and gaming spending data. Statistical databases from the National Gambling Impact Study Committee (NGISC) estimate that between 1980 and 1997, casino gambling spending per capita among Utah residents grew at an inflation-adjusted average annual rate of 2.6 percent.

³ Market share estimates were completed using household spending data from the Bureau of Labor Statistics, and adjusting the spending based on survey data gathered from West Wendover and Las Vegas casinos.

Since 1989, total consumer spending at casinos has more than doubled in real terms to over \$22 billion, as shown in Figure 12. During that same time, the number of states with legalized casino gambling jumped from two to eleven. Almost each year since 1990, a new state opened its doors to casino gaming to compete for Nevada's market share.

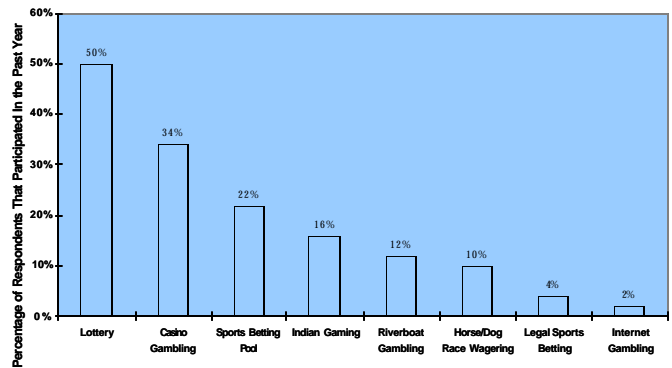
By 1999, eleven states allowed some form of casino gambling, as shown in Figure 13. Nevada captured over \$9 billion in gaming revenue, or 40 percent of the national market. Its closest competitor is New Jersey with 19 percent of the total casino gaming revenue. Indian gaming in California has emerged as Nevada's principal competitor among the western states. However, California Indian gaming has little impact on West Wendover.

2.4 NEVADA GAMING TRENDS

During the 1990s, Nevada casinos saw gaming revenue gradually expand from \$6.4 billion in 1988 to \$9.6 billion in 2000, as shown in Figure 14. Revenue growth was relatively stagnant between 1994 and 1998, but markedly jumped in 1999 and 2000. During this time period Nevada's market share of gaming industry spending declined from 70 percent in 1988 to 40 percent in 1999 as many new states emerged with legalized gaming and California's Indian gaming became a stronger competitor.

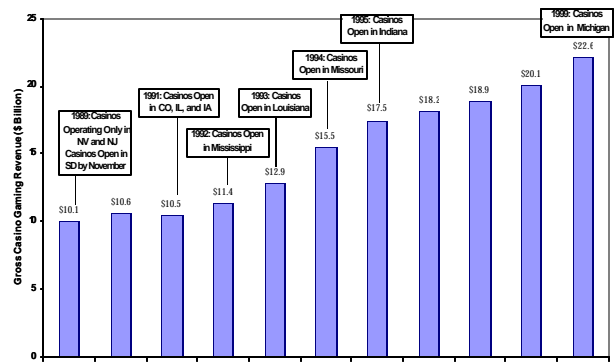
Within Nevada, about two-thirds of the gross casino gaming revenue is generated by Las Vegas (Strip, Downtown, and Boulder

Figure 11
PARTICIPATION IN DIFFERENT FORMS OF GAMING AMONG U.S. CONSUMERS, 1999



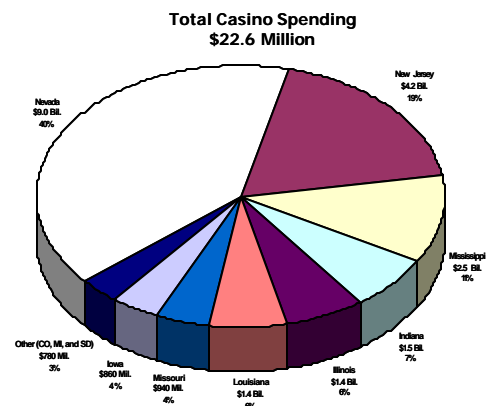
Source: ADE, data from AGA and Hart/Luntz

FIGURE 12
Total US Gross Casino Gaming Revenues (Inflation Adjusted) 1989 - 1999



Source: ADE, data from AGA, Christiansen Capital Advisors LLC, and Bureau of Labor Statistics
Note: All figures are adjusted to inflation using the Consumer Price Index; data does not include Indian gaming

Figure 13
NEVADA'S MARKET SHARE OF CASINO GAMBLING 1999



Source: ADE, data from AGA and State Gaming Boards
Note: Data does not include Indian gaming

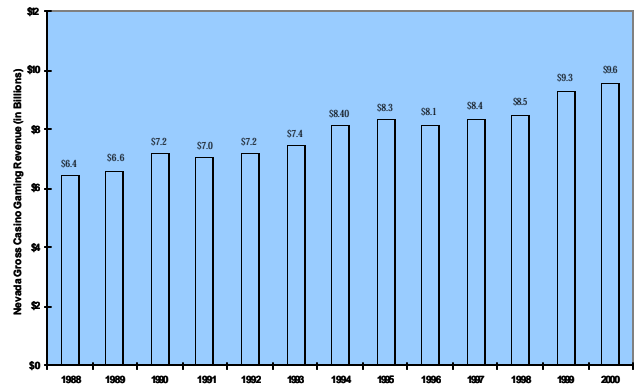
Strip), with over \$6 billion of win revenue as shown in Figure 15. The other dominant gaming markets in Nevada are Reno/Sparks, Laughlin, and the rest of Clark County, each of which generate over \$500 million in casino gaming revenue.

2.5 POTENTIAL FOR NEW CASINO IN WEST WENDOVER

Data in Table 1 estimates the potential unmet demand for a new casino in West Wendover through 2020. The data suggests that West Wendover's casinos are currently earning well below the state average, and need to absorb more sales either through regional growth or improved marketing that attracts gaming customers away from Las Vegas and other competitive venues. The growth projected through 2010 will allow West Wendover's casinos to capture more sales without building new facilities. Thus, the existing casinos can earn revenues that closely approach the state average of gaming sales per square foot. By 2020, however, the regional growth will be sufficient to support 60,000 SF of new gaming space.

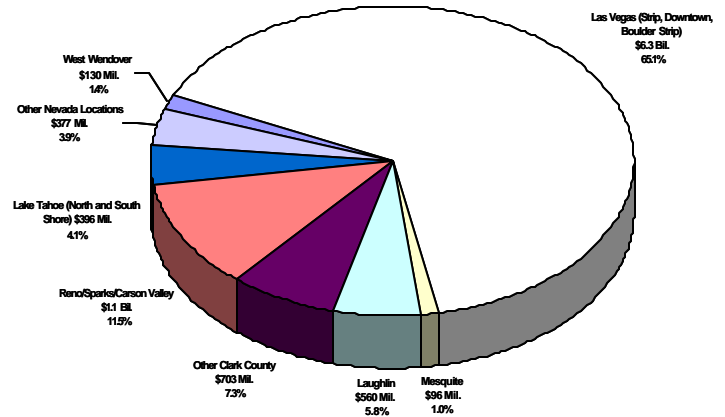
The projected growth rates could be moved forward if a new facility was built that expanded West Wendover's market share beyond 60 percent of the region's spending. For example, the development of a gaming complex that attracts customers away from Las Vegas and other competitive gaming venues could be supported in the regional market without depending upon new growth.

Figure 14
NEVADA CASINO
GAMING REVENUE TREND
1989 - 2000



Source: ADE, data from Nevada Gaming Control Board and Bureau of Labor Statistics
Note: Data adjusted for inflation

Figure 15
WEST WENDOVER'S MARKET SHARE
OF NEVADA'S GAMING REVENUE
2000



Source: ADE, data from Nevada State Gaming Control Board

Current Demand and Supply

Data on the current situation indicates that there is an oversupply of casino space in West Wendover, and the growth of demand needs to catch up with the supply before the market can support new casino space. Column (1) quantifies the current demand for and supply of gaming space in West Wendover. Gaming spending among Wasatch Front households is estimated to be \$218 million, of which \$130.4 million is captured by West Wendover casinos. The

city estimates that the five casinos have built 149,000 SF of gaming space, which means they are earning \$875 per square foot of

state average. Column (2) quantifies a demand projection for gaming space in 2010. The estimate indicates that Wasatch

TABLE 1
New Casino Demand Potential in West Wendover
Current - 2020

	Current 2002 (1)	Projection 2010 (2)	Projection 2020 (3)
Market Area Demand (a)	\$218 million	\$249 million	\$347 million
Spending Captured by Wendover Casino (b)	\$130.4 million	\$149.4 million	\$208.2 million
Gaming Space Built/SF (c)	149,000	149,000	149,000
Gaming Sales/SF (d)	\$875	\$1,003	\$1,397
State Average Sales/SF (e)	\$1,007	\$1,007	\$1,007
Supportable New Space (f)	0	0	60,000 SF

Source: Applied Development Economics

Notes: (a) West Wendover market area defined as Wasatch Front (Davis, Morgan, Salt Lake, Tooele, and Weber counties), Mountainland (Summit, Utah, and Wasatch counties), and West Wendover.

(b) Assumes West Wendover will continue to capture 60% of market area spending going forward.

(c) Current supply of gaming space; data provided by City of West Wendover.

(d) Row (c) divided by row (a).

(e) Data from Nevada Gaming Commission.

(f) Estimate of new space that can be developed once West Wendover casinos obtain state average of sales/SF.

built gaming space. The state average of revenues earned by casinos, excluding the Las Vegas strip is \$1,007 per S.F.

2010 Demand and Supply

The 2010 growth projection suggests that there will be insufficient demand in the regional market to support a new casino until more than 10 years has passed. The projected growth of gaming industry spending can be absorbed by existing casinos so that their earnings approach the

Front households will spend \$249 million on gaming by 2010. If West Wendover maintains its 60 percent market share capture, then the casinos will earn \$149.4 million of gaming industry revenues. At that rate, the casinos are earning \$1,002 per SF, which is very close to the state average.

2020 Demand and Supply

The growth projection for 2020 suggests that 60,000 SF of new gaming space can be supported in West Wendover by growth in

the Wasatch Front. The additional space can be supported along with an increase of sales per square foot so that West Wendover equals the state average of casino earnings. Column (3) quantifies the projected demand for gaming space by 2020. The projection estimates that Wasatch Front households will spend \$347 million on gaming by 2020. If West Wendover maintains its 60 percent market share capture, then the casinos will earn \$208.2 million of gaming industry revenues. At that rate, the casinos are earning \$1,397 per SF, which greatly exceeds the state average. At that point, an expansion of gaming space is supportable without attracting additional market share from Las Vegas.



Casinos are weekend destinations.

3. RETAIL DEVELOPMENT OPPORTUNITIES

From a retail standpoint, West Wendover and Wendover, Utah should be viewed as one community. Wendover with its 1,500 residents has only a few retail establishments, including a small grocery store, a gas station, and two fast food restaurants.

Wendover does have a significant number of motels, some of which are within walking distance of the State Line Casino. The motels offer travelers alternatives away from the casinos as well as a

supply of spillover rooms during peak visitation periods. Given the lack of retailers in Wendover, local residents do most of their retail spending in West Wendover.

Residents of the two communities lack an adequate supply of retail and personal services such as medical, auto and household repair, beauty, pet care, photo processing, and other services. An important economic development goal is to expand the selection of retail and personal service establishments available for area residents.

Data in Figure 16 indicates that West Wendover has only 33 retail establishments

located outside the casinos.⁴ This retail base includes 12 specialty retailers, which account for 36 percent of all retail establishments. In addition, there are 7 eating establishments, almost all of which are fast food; they account for 21 percent of West Wendover's

retailers. Other retailers that are present in very small numbers include four specialty apparel stores, three gas stations, three home furnishing stores, two small general merchandise stores, one

supermarket (which also sells prescription drugs), and one specialty food store. All other retail store types are absent, which means that the community residents regularly leave town to shop at the Wal-Mart in Tooele, the malls in Salt Lake City, or other retailers in Elko.

3.1 VISITOR SPENDING

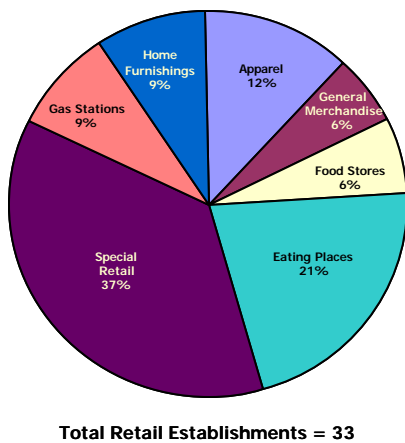
- Data in Figure 17 suggests that West Wendover has the potential to capture up to \$49 million of visitor spending on



This supermarket serves residents of West Wendover and Wendover, Utah.

⁴ The data does not include individual restaurants, gift shops, and other businesses located inside the casinos. Technically, these businesses are owned

Figure 16
Number of West Wendover Retail
Establishments, 2001
(Not Casino)



Source: Applied Development Economics; data provided by City of West Wendover.

retail and support services. Much of this spending is not currently captured due to a lack of retail shopping options, as summarized below.⁵

- West Wendover’s gaming patrons currently spend \$15.5 million at restaurants and buffets located inside the casinos.⁶ This spending is captured by the local

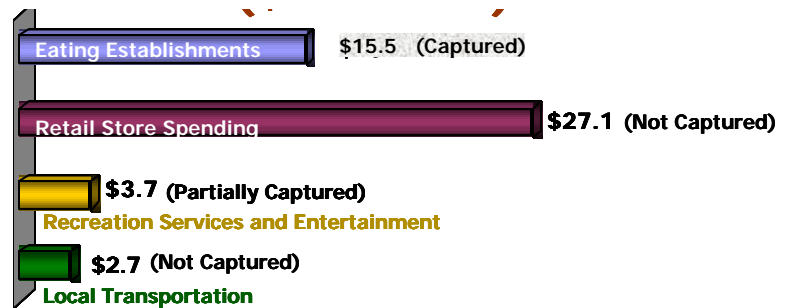
and operated by the casinos and are considered part of the casino establishment.

⁵ See Appendix A, Table A-3 for detailed data.

⁶ Data on potential visitor spending was estimated by using the known food and gaming receipts in West Wendover, adjusted by the known spending behavior exhibited by gaming patrons in Laughlin. A survey of visitors to Laughlin collected by GLC Research provides an indicator of retail spending patterns by gaming patrons in communities where there are facilities that match demand. Using the percentages collected in Laughlin and applying them to West Wendover allows us to measure the visitor spending potential or pent up demand.

casinos, leaving minimal opportunities to capture visitor spending at eating and drinking establishments outside the casinos, as summarized below. Gaming patrons at West Wendover’s casinos have the capacity to spend \$27.1 million on retail products if appropriate stores were available. There are already some specialty retail stores in West Wendover, but they do not come anywhere near capturing the full potential visitor spending. In essence, West Wendover currently lacks the types of retail establishments that could attract

FIGURE 17
Pent-up Demand for Spending
Among West Wendover Casino Patrons
(\$ Millions)



Source: Applied Development Economics, data from ADE Retail Demand Model, Nevada State Gaming Control Board, G:S Research

additional spending by gaming patrons.

- Gaming patrons also have the capacity to spend an additional \$3.7 million on recreation and entertainment services. West Wendover has an excellent golf course that could absorb some new recreational spending if the community would promote a full entertainment package for visitors. In addition, casinos

could capture additional visitor spending by expanding entertainment offerings such as musical acts and other types of shows.

- Lastly, \$2.7 million of transportation services spending could potentially be captured in West Wendover if there were appropriate services. For example, visitors may be willing to spend money to travel from West Wendover to the Ruby Mountain ski areas and other nearby outdoor destinations. Perhaps a car rental agency or other transit operator could be attracted to West Wendover to serve visitors and local residents.

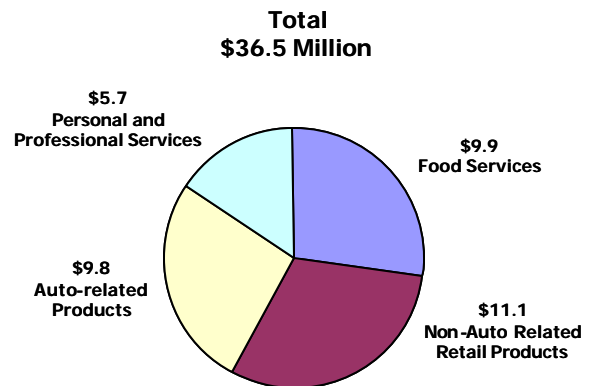
3.2 LOCAL RESIDENT SPENDING

Data in Figure 18 indicates that local residents in Wendover and West Wendover spend \$36.5 million on food, retail products, and services.⁷ The detailed spending levels by store type are summarized as follows:

- Local residents spend about \$9.9 million on food services. Approximately \$6.9 million goes to supermarkets, and another \$3 million is spent eating out.
- Another \$11.1 million goes towards non-automotive retail stores such as specialty apparel, general merchandise, specialty retail, building materials, and home furnishings.

- Local residents spend approximately \$9.8 million on automotive uses, with \$6.6 million spent on automobile purchases outside of West Wendover.
- Local residents spend approximately \$5.7 million on professional and personal services. The largest categories

FIGURE 18
Local Resident Spending in West Wendover, 2001
(\$ Millions)



Source: Applied Development Economics, data from ADE Retail Demand Model and Nevada State Gaming Control Board

of local personal services spending include childcare (\$980,000) and automobile repair (\$930,000). These are business categories where there is sufficient spending to support local business establishments. All other categories of personal service spending are so small that it is difficult to support business establishments.⁸

⁷ Detailed data on local resident spending and retail leakages are summarized in Appendix A, Table A-4.

⁸ See Appendix A, Table A-5 for detailed personal service spending estimates.

3.3 RETAIL SPENDING LEAKAGES

Data in Table 2 identifies the primary categories of retail store types with retail spending leakages by local residents.⁹ Households within the combined communities of West Wendover and Wendover, Utah spend \$30.8 million on food and retail products. The only store types that exhibit spending leakages include apparel stores (\$.5 million), general merchandise stores (\$2.2 million), supermarkets (\$.45 million), furniture and home furnishings (\$.7 million), household appliances and electronics (\$.5 million), and automobile purchases (\$6.2 million).

Unfortunately, the leakages are not sufficient to support the start up of any one-store type. The locally owned Ashley Furniture Store recently seized this opportunity and expanded space to meet the pent up demand. The data demonstrates that an expansion of retail services in West Wendover cannot exclusively rely on local demand. Instead, retail has to be targeted to capture visitor spending.

The data actually indicates that West Wendover retailers are already dependent on visitor spending. Retailers already capture \$46 million of spending, which greatly exceeds the \$30 million of spending capacity by local residents.¹⁰ Essentially, West

⁹ See Appendix B for retail leakage methodology

¹⁰ Because categorical retail sales capture rates for West Wendover were not available, the sales estimates came from per-store averages found in the 1997 Census of Retail Trade, adjusted for inflation, and the Nevada Department of Taxation records.

Wendover businesses achieve a net capture of spending from gaming patrons that more

TABLE 2
Retail Spending Leakages
Among Local Residents
by Selected Store Type

	Estimated Leakage	Sufficient Demand to Support New Store
Specialty Apparel	\$529,000	NO
General Merchandise	\$2,221,000	NO
Grocery Store	\$448,000	NO
Furniture and Home Furnishings	\$695,000	Expansion
Household Appliances and Electronics	\$535,000	NO
New Car Dealers	\$6,160,000	NO

Source: Applied Development Economics

than counterbalances the spending leakages by local residents. The largest net capture comes from West Wendover's eating places, which includes food and beverage sales at the five casinos, with a net capture of \$16.3 million. In addition, gasoline stations have a net capture of \$6.2 million, while specialty retail has a net capture of \$5.3 million

3.4. COMMERCIAL REAL ESTATE DEVELOPMENT POTENTIAL

Data in Table 3 shows that West Wendover can support the development of approximately 200,000 square feet of new retail space that captures both potential visitor spending and the retail spending by

Wherever possible, average store sales for Elko County were used.

TABLE 3

**Commercial Real Estate Development Potential
in West Wendover**

Gaming Customers Pent-up Demand	\$27.1 million
Local Resident Leakage	\$5 million
Sales per Square Foot	\$150/sq ft
Square Foot of Supportable New Retail	195,000 sq ft
Floor Area Ration (F.A.R.)	.25
Required Size of Shopping Center Site	20 acres

Source: Applied Development Economics

local residents that currently leaves the area. New retail space can be developed in three ways, as described below.

- Retail space can be added onto one or more of the existing casinos. Under this scenario, the casinos that can add retail space will gain a business advantage and there will be no need to develop additional parking spaces, which add costs and sprawl.
- The city could require retail space to be incorporated into any new casinos that are approved. Again, this would give a

business advantage to new casinos, but it would also conserve land, and the required parking spaces would come with the new gaming facility.

- A new retail shopping center could be developed separate from the casinos. This development scenario would keep any one casino from gaining a business advantage over another by developing a significant amount of on-site retail. However, a 200,000 square foot shopping center may require a site as large as 20 acres to accommodate the parking requirements.

4. OTHER BUSINESS ATTRACTION OPPORTUNITIES

The ability of West Wendover to attract manufacturing, wholesale, and distribution establishments relates to regional job growth, transportation corridors, and pressures to establish new business locations. Essentially, West Wendover's market has to be viewed in the context of growth along the Interstate 80 corridor. West Wendover could target companies seeking to take advantage of the Interstate 80 transit corridor. West Wendover could also target companies that are serving the Wasatch Front communities but are seeking the low tax Nevada environment.

In this regard, West Wendover holds a distinct locational advantage over other

communities in Elko County and elsewhere in Northeast Nevada. West Wendover's geography is oriented toward the Wasatch Front economy with has a distinctly different economic niche than the mining-dependent Elko County communities. However, it is still useful to review Elko County data as an economic indicator for West Wendover's business attraction targets.

Data in Table 4 shows how Elko County's economy has performed relative to the nation. This data suggests that, between 1990 and 1998, Elko County's economic strength (relative to the nation) was in the transportation, wholesale trade, and service employment sectors. Transportation

TABLE 4
Adjusted Employment Shifts In Elko County
1990-98

	1990 (1)	1998 (2)	Percent Change (Actual) (3)	Percent Change (Adjusted) (4)
Farming	949	776	-18.2%	0.8%
Mining	1,357	1,300	-4.21%	-18.1%
Construction	1,398	1,693	21.1%	21.2%
Manufacturing	206	336	63.1%	-.7%
T.P.U.	678	1,098	61.9%	16.7%
Wholesale	716	828	15.6%	9.5%
Services	7,704	10,201	32.4	28.9%
TOTAL	19,557	25,287	29.3%	16.8%

Source: Applied Development Economics based on data provided by Bureau of Economic Analysis

Note: Columns 1 & 2 are actual data provided by the Bureau of Economic Analysis

Column 3 measures employment change between the two time periods

Column 4 adjusts employment change in Elko County relative to changes in the national economy

employment in Elko County expanded nearly 17 percent stronger than the national average, and wholesale trade employment expanded nearly 10 percent stronger than the national average. The data is consistent with the intuitive targets for West Wendover that should focus on transportation, distribution, and services.

equipment manufacturing. This sector has been hit hard by the current economic downturn, and includes many of the nation's well-known information technology companies such as Intel, Hewlett-Packard, and Cisco Systems. The Wasatch Front

4.1 REGIONAL ECONOMIC TRENDS

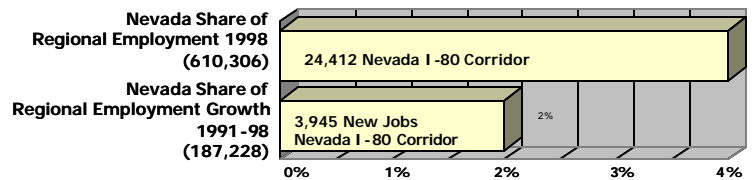
Altogether, there are 610,300 jobs within the area that encompasses the five Wasatch Front counties in Utah and five Northeastern Nevada counties. The data in Figure 19 indicates that the Northeast Nevada counties have captured only four percent of the regional jobs and two percent of the job growth. Essentially, the Wasatch Front communities dominate the regional economy, and Northeast Nevada has yet to share in the benefits of regional growth.

Figure 20 provides more specific information on manufacturing employment gains among the Wasatch Front counties between 1991 and 1999. It is important to be knowledgeable about this growth since West Wendover would like to attract Wasatch Front manufacturers that are seeking to relocate to Nevada.

The data shows that there was employment growth in almost all manufacturing sectors, with the largest gains of more than 3,700 jobs among industrial machinery and computer

FIGURE 19

Nevada I-80 Corridor Share of Regional Employment Growth 1991-98

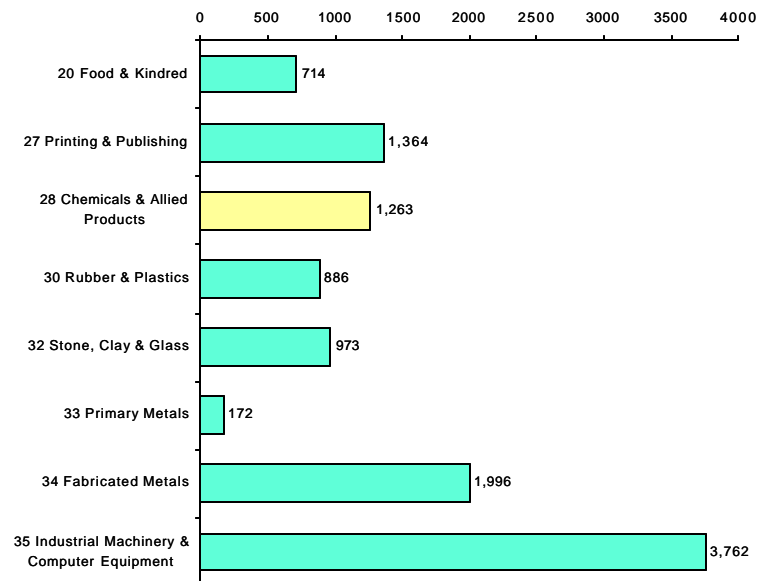


Source: Applied Development Economics, based on data provided by Minnesota Impact Group

Note: Region is defined as Utah counties of Salt Lake, Weber, Davis, Morgan and Tooele, plus Nevada counties of Elko, Eureka, Lander, Humboldt and Pershing.

Figure 20

MANUFACTURING EMPLOYMENT GROWTH IN THE WASATCH FRONT, 1991-98



Source: Applied Development Economics based on data collected from Minnesota Impact Group.

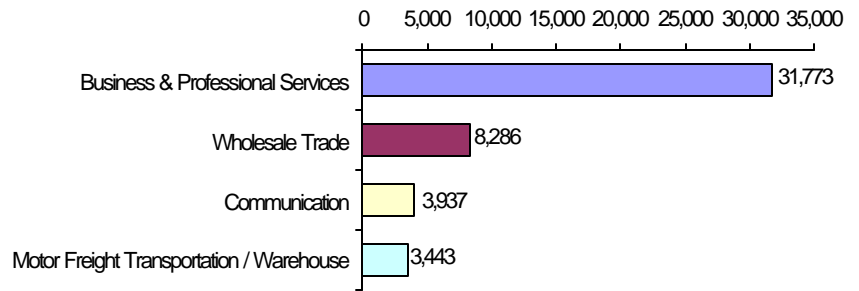
Note: Wasatch Basin includes counties of Salt Lake, Davis, Weber, Morgan, and Tooele.

counties also showed a strong expansion of fabricated metals manufacturing (nearly 2,000 jobs), printing and publishing (1,400 jobs), and chemicals and allied products (1,300 jobs).

Figure 21 shows that the Wasatch Front added more than 31,000 new business and professional service jobs between 1991 and 1999. This is a sector that will be more difficult to attract to West Wendover. However, sectors that West Wendover could attract include wholesale trade, which added more than 8,000 new jobs between 1991 and 1999; communications (nearly 4,000 new jobs); and warehousing (nearly 3,500 new jobs).

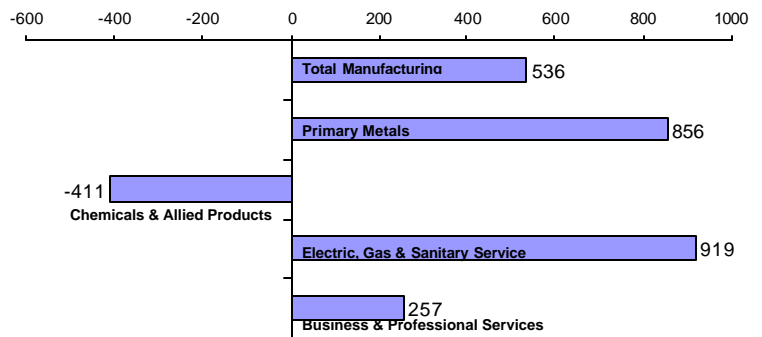
The ability of West Wendover to attract related businesses from Utah also relates to the economic changes occurring in neighboring Tooele County, as shown in Figure 22. The data suggests that Tooele County has some heavy industry employers that have experienced significant employment gains and losses. For example, manufacturing employment in Tooele County expanded by 536 jobs between 1991 and 1999. The expansion includes 856 new primary metals jobs that are offset by a decline of 411 chemicals and allied products jobs. Two other strong growth sectors in Tooele County included electric, gas, and sanitary services, which created 919 new jobs; and business and

FIGURE 21
Other Significant Sectors of Employment Growth In Wasatch Front, 1991-99



Source: Applied Development Economics based on data collected from Minnesota Impact Group.

FIGURE 22
Key Sector Employment Growth In Tooele County, 1991-99



Source: Applied Development Economics based on data provided by Minnesota Implan Group

professional services, which added 257 new jobs.

Data in Figure 23 indicates how much stronger Tooele County's manufacturing sector is relative to the Northeast Nevada counties. In 1999, there were 1,489 manufacturing jobs in Tooele County. In contrast, Elko County only had 215 manufacturing jobs, and the other four

Nevada counties along the Interstate 80 corridor had 403 manufacturing jobs.

4.2 DEMAND AND SUPPLY FOR INDUSTRIAL REAL ESTATE

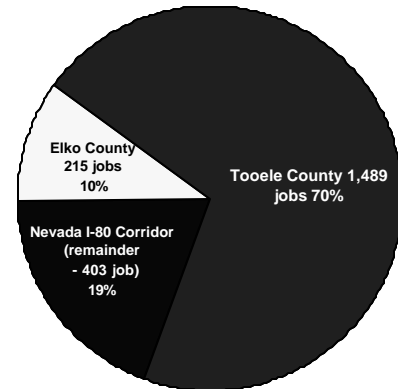
West Wendover's ability to attract transportation, distribution, and manufacturing establishments will partially depend on its ability to offer specific real estate sites that are competitively priced to meet business needs. The city currently has no prepared sites with infrastructure, and no available buildings for potential manufacturing, warehouse, or distribution tenants.

Thus, West Wendover relies upon market forces to invest in sites and buildings that may be developed in West Wendover. Most likely, developers and investors will seek businesses that are relocating or expanding away from Wasatch Front communities. West Wendover will only be able to attract those firms if it can offer lower business costs to compensate for its distance from the metropolitan area.

Land costs are a factor that influences location decisions. Essentially, West Wendover will have to develop industrial, warehouse, and distribution space that can be offered at prices that are competitive or lower than industrial land and building prices in the Salt Lake City metropolitan area.

FIGURE 23

Manufacturing Employment In Tooele County and Nevada I-80 Corridor 1999



Source: Applied Development Economics based on data provided by Minnesota Implan Group

Note: Remainder of the Nevada I-80 Corridor includes the counties of Eureka, Lander, Humboldt, and Pershing

Approximately 17 million new square feet of industrial real estate was built in the Salt Lake City regional market between 1995 and 2000.¹¹ The current supply of space is now 95 million SF. During this same time period, rents actually declined by 3 percent to \$4.32 per square foot, which indicates that construction has kept up with market demand, and that neither prices nor lack of supply has caused firms to leave the area. The data suggests that West Wendover will need to put together an attractive incentive package in order to recruit firms away from the Salt Lake City industrial market. A combination of state and local incentives could make a difference

¹¹ See Appendix A, Table A-6 for Salt Lake City Industrial Market real estate data.

5. WEST WENDOVER'S INFRASTRUCTURE SYSTEMS CAPACITY

The ability of West Wendover to diversify its economy directly relates the capacity of its infrastructure systems to manage growth and accommodate successful business attraction efforts.

5.1 TRANSPORTATION SYSTEMS

West Wendover's access to urban centers throughout the western US is a critical element of its economic development capacity. The transportation systems that link West Wendover to the rest of the world are summarized below.

Interstate Highway West Wendover's primary economic development asset relates to its outstanding location on Interstate 80 connecting Reno and Salt Lake City. Between 5,500 and 7,000 vehicles per day pass through West Wendover while traveling along Interstate 80.¹² The highway access makes it possible for West Wendover to serve metropolitan areas along the corridor.



A significant amount of rail freight passes through West Wendover over Union Pacific tracks.

Air Transport

The Wendover Airport, located across the state line in Utah, is a general aviation airport that has capacity to handle air cargo and commercial aircraft. The airport was used in WWII to train heavy bomber crews. This past decade, the casinos used the airport's runway capacity to operate a "fly in" program that used large commercial service aircraft that recruited gaming customers from throughout the United States, and at its peak enplaned 70,000 passengers per year.

Rail Service

West Wendover also has the benefit of cross-country rail service as Union Pacific's main east west line passes through the community. Spur lines are available for loading and unloading freight and cargo. Unfortunately, the long-distance passenger rail service is unable to stop in West Wendover due to a single track running through the area. The lack of a stop forces the California Zephyr into a four-hour run between Elko, Nevada and Salt Lake City. This is the longest run on the Amtrak system without a stop.

¹² There are 7,000 westbound and 5,500 eastbound vehicles per day that travel along Interstate 80.

5.2 UTILITY SYSTEMS

The utility systems in the City of West Wendover must be adequate to support growth if the city is going to be successful in its economic development efforts. The status of the infrastructure systems is summarized below.

Electrical Service

West Wendover obtains its electricity from Well Rural Electric Company (WREC), which serves all of Northeast Nevada and Western Utah. There seems to be no constraints to extending electrical services to new businesses that may be recruited to West Wendover.

Water Supply

Water service in the community is provided by the City of West Wendover. The city is one of three operating entities that purchase water from the Administrative Authority that manages the water supply of local residents and businesses. The City of West Wendover purchases its needs from the Administrative Authority, and retails the water to city residents and businesses.

The City of West Wendover recently completed a significant water transmission and storage upgrade program that has doubled the supply of available water from 1,400 gpm to 2,800 gpm. Additional upgrades are scheduled for completion by 2005, which will expand West Wendover's water transmission to 8,500 gpm. These changes, along with the city's acquisition and securing of thousands of acre-feet of

remaining water rights and its ability to recycle water, will support significant residential and business growth in the future.

Sewage Treatment

The City of West Wendover provides the sewer service in the community. A new water reclamation facility was constructed in 1993 and some upgrades were made in 1997 and 1998. This facility provides reclaimed water for irrigation purposes in the community, which includes uses at the golf course, schools and parks and recreation facilities. The facility is being upgraded to allow additional wastewater beyond its current rate of 100,000,000 gallons per year. It appears that the sewage treatment plant has the capacity to accommodate the residential, retail, and gaming industry growth that might be attracted to West Wendover.

Natural Gas

West Wendover does not have access to a natural gas pipeline, which is a significant liability in its effort to diversify the economy. Local businesses must rely on the purchase of less reliable and more expensive liquid petroleum gas. However, West Wendover is projected to have access to natural gas by mid-decade. Colorado Interstate Gas will extend a lateral to West Wendover as part of a larger project that offers natural gas service to large areas of Nevada.

Fiber Optics Cable

West Wendover is expected to obtain a fiber optic backbone network that improves the fiber optics already installed along the Union Pacific Railroad rights of way and the Interstate 80 corridor. This network will provide needed access to high speed telecommunications essential for a growing economy.

6. ECONOMIC DEVELOPMENT INITIATIVES AND MARKETING EFFORTS

West Wendover's leadership faces a significant set of economic development challenges. The most significant challenge relates to the community's relatively isolated location nearly 120 miles away from the Salt Lake City metropolitan area. The community's position as a gaming destination makes it difficult to diversify West Wendover's economic base. However, the community is making a number of efforts to diversify its economy are described below.

6.1 CURRENT ECONOMIC DEVELOPMENT MARKETING EFFORTS

On a regional basis, West Wendover is a member of the Elko County Economic Diversification Authority (ECEDA), whose mission it is to market Elko County for business attraction. West Wendover is part of ECEDA's marketing package, and ECEDA refers appropriate business prospects to West Wendover.

At the local level, West Wendover's efforts to market the community suffer from the lack of a cohesive private sector that is dominated by large casinos. The individual casinos do an excellent job at promoting their

establishment. They all have web sites and make significant advertisement expenditures in the Wasatch Front communities. Three casinos offer bus service between Salt Lake City and their casino each day.

However, the casinos are very competitive with each other and have not put together any joint marketing efforts. There is no association of casinos working together to jointly promote West Wendover as a gaming destination. Moreover, there is no functioning Chamber of Commerce working to promote the interests of other private businesses.

Due to the lack of a cohesive private sector, the City of West Wendover has stepped into an economic development marketing leadership role. The City created the Tourism and Convention Bureau. The staff is based in the State Visitor Center building. They answer questions and operate promotional programs. The City has also put together an excellent package of

materials that it sends out to business prospects. This includes a promotional video, a 16-page promotional brochure, and a "Snapshot" community profile book filled with detailed (but



The State Visitors' Center is partially staffed by the City to help promote West Wendover and the region.

sometimes dated) information and useful business cost data.

6.2 ECONOMIC DEVELOPMENT INCENTIVES

Financial incentives available to business prospects interested in a West Wendover location are primarily state incentives that are available to every community in Nevada.¹³ Like its Utah neighbor, Nevada imposes sales, use, and property taxes on businesses. In general, businesses do not locate in Nevada to avoid those taxes.¹⁴ In fact, Utah has a lower sales tax rate of 5% than does Nevada which charges 6.5%.

The real benefits of a Nevada location include the absence of a personal and corporate income tax. Business executives with a Nevada residence can save a significant amount of their earnings from income tax. In comparison, the top income tax bracket in Utah is 7.2%. Corporate fees and income taxes have also been eliminated in Nevada, where a Utah corporation is liable for 5% corporate income taxes. These state tax incentives have played a significant role in the success of attracting businesses to

¹³ See Appendix C for complete list of financial incentives available in West Wendover.

¹⁴ There are sales, use, and property tax exemptions for some businesses. For example, no use tax is charged on machinery investments that are consistent with Nevada's plan for economic diversification and development (I.e. non-mining related industries). Qualifying businesses are also eligible for personal property tax abatements provided that they meet the state's minimum job creation and capital investment goal, offer employee health plans, and provides hourly wage that is 125% of the state's industrial hourly wage.

Reno/Sparks and the Las Vegas metropolitan areas. They could also be very useful in West Wendover's economic development efforts.

Finally, the City of West Wendover intends to create the Port of West Wendover, which would manage the land development of 3,000 acres of property currently used by the military. The City intends to create additional tax incentives within the Port property by applying for a free trade zone approval that would offer bonded warehouse capabilities. These incentives would supplement the existing state incentives available to any business that locates at the future Port of West Wendover.

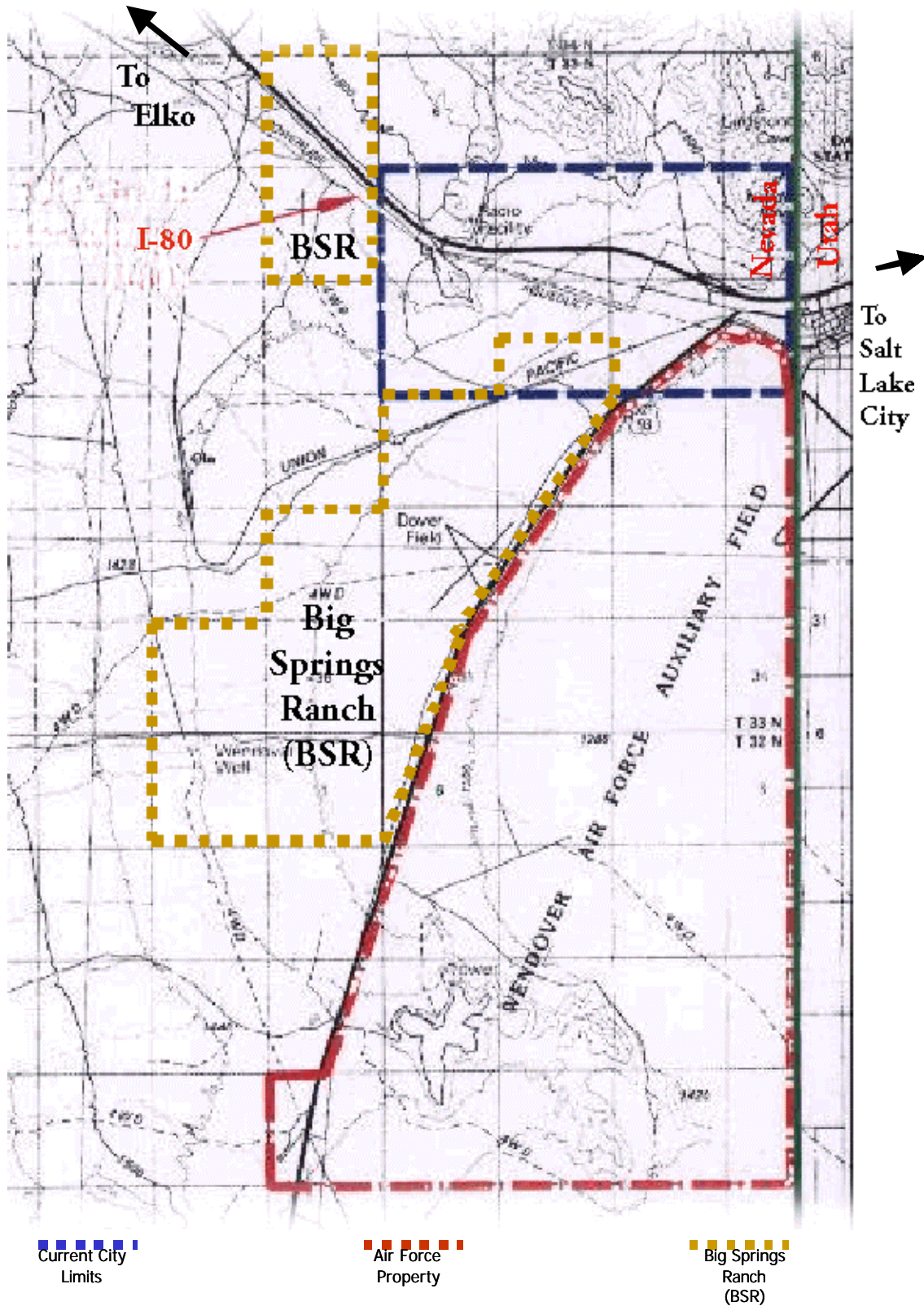
6.3 EXPAND THE LAND SUPPLY THROUGH ANNEXATIONS

West Wendover currently has a limited supply of land available for residential and business development. The current city limits includes 4,480 acres of land, most of which has been built out. A number of potential sites have been identified for future casino development. There are some ideas of locations for new retail shopping centers, and virtually no sites available for manufacturing or distribution uses.

Essentially, West Wendover's growth and development is constrained by the lack of privately owned land that can be used for business attraction. In this regard, the City of West Wendover is working on three possible annexations that will significantly expand the supply of developable land, as shown in Figure 24 and described in more detail below.

FIGURE 24

**Proposed Annexations of BSR
and Wendover Auxiliary Field**



Wendover Auxiliary Field

The Wendover Air Force Auxiliary Field is a former bombing range that is now used as a flight training area. The City is trying to convince the US Congress and the Air Force to abandon the airfield and convey 15,000 acres to the City. If successful, the City will create the Port of West Wendover, which will be chartered to manage the development of a 3,000-acre multi-modal industrial airpark. The possible development of the Port of West Wendover would be a significant event that would create sites for manufacturing and distribution businesses. However, this property will only be available for development if the city is successful with their attempts to transfer ownership for civilian uses.

Big Springs Ranch

An additional attempt to expand the land supply involves the annexation of Big Springs Ranch (BSR), located adjacent to the city limits. BSR includes 6,400 acres of privately owned property, with access to Johnson Springs water rights. BSR recently changed ownership, and the new ownership is negotiating with the city about future land uses and the landowners are working with the City about potential land uses and the terms of annexation. The City is waiting for a land development and annexation proposal from the property owners. Upon approval by all parties the annexation may take only 90 days.

West Wendover and Wendover, Utah Annexation

The highest profile project in the city involves the potential annexation of Wendover, Utah. The proposed project would bring Wendover, Utah into the State of Nevada, and the two cities would become one city. Area Congressional Representatives have encouraged the annexation, which has major implications for the each city, the two counties, and the two states. There will need to be approval by each State Legislature through an Interstate Compact. At the end of a lengthy multi-year process, the US Congress makes the final decision regarding the state boundary change. This is a unique and important matter for all concerned.

The proposed annexation makes a lot of sense from an economic development perspective. The two communities could streamline administrative operations, and West Wendover could gain a greater control over the Wendover Airport reuse, which is currently managed by Tooele County.

The proposed annexation will need the approval of Wendover and West Wendover residents, who will vote on the issue during the fall of 2002. The two communities have initiated a study process to be conducted by a Community Annexation Team that will inform voters of the potential impacts prior to the annexation election.

In order to develop proper information, the City of West Wendover and the City of Wendover have requested \$100,000 from USDA Rural Development to fund an annexation feasibility study. The study will seek to answer the following questions. Will

there be economies of scale by combining the two communities, and if so, in what activities and to what extent? Are there costly impacts that will require additional funding? Are there service improvements or declines, due to the annexation? How will annexation affect the infrastructure of each city? Are there policy inconsistencies or policy coincidences? What will be the

impact on economic development – jobs, businesses? What will be the impact on institutions, facilities and revenue? What will be the impact of state and federal programs serving the area? What will be the impact on property owners? What will be the impact on the residents of each community?



Annexation of Wendover, Utah should improve the prospects of airfield reuse.

7. RECOMMENDATIONS AND IMPLEMENTATION STEPS

There are a limited number of actions that the City can initiate to help diversify the economy. For example, the City can use its financial and manpower resources to proactively recruit businesses to the community. It can also help facilitate land development through financial incentives and the expansion of infrastructure systems required for business development. Moreover, the city can assist with business retention, small business assistance, and business lending programs. The recommendations presented below are intended to address each strategic option and suggest ways that the city can prioritize the use of staff time and financial investments.

7.1 RECOMMENDED IMMEDIATE ACTIONS

The following set of recommendations represents projects and actions that city staff and the community can work on immediately. Each project will take some time to implement. Therefore, suggested implementation steps are provided.

Recommendation #1: City staff and community leaders should launch a marketing effort to attract developer interest in a town center that would include up to 200,000 S.F. of new retail space.

Residents of West Wendover lack an adequate supply of retail services, and it is a community goal to expand the supply of retail services available to residents. The analysis enclosed in this report makes it clear

that there is a market opportunity for significant retail expansion that attracts additional spending from gaming customers already in West Wendover. The retail expansion can be supported without attracting new visitors and growth.

It makes sense to develop the retail facilities as part of a distinct town center away from the existing casinos.¹⁵ The City has already identified a location and prepared a plan for the town center that could include a mix of uses such as a city hall, multi-family housing, and new lodging. The location was selected by the City Council and Advisory Committee during the Master Plan/Land Use Plan. A mixed-use development would require the City to engage in a public/private partnership agreement that meets both private investment and community goals.

The development of new retail space within a town center is recommended because it is an approach that can be implemented with minimal resistance from the existing casinos. That is, a casino with the required land supply can build the retail space into their existing facility and absorb the pent up demand. The problem with this approach is that any one casino that seeks to build a substantial amount of retail space will gain a competitive business advantage over the other casinos. Thus, the development will be resisted.

¹⁵ See Appendix D for Town Center Conceptual Drawing.

Alternatively, West Wendover could get its underdeveloped retail space built by requiring the space to be included with the next casino. The problem with this approach is that the new casino will gain a competitive business advantage over the existing casinos that will increase the difficulty of approving a new casino.

Suggested Implementation Steps

The City of West Wendover should take the following steps toward implementing the development of a new town center

- Widely distribute this economic strategy report to real estate brokers and developers in Nevada, Utah, and California.
- Prepare a developer RFP.
- Select and negotiate a development agreement that meets the needs of both the town and the private investors.

Recommendation #2: City should redesign promotional tools to take advantage of immediate retail development opportunities.

The city can immediately begin promoting itself for new retail investment. The retail development opportunities identified in this report should be summarized and distributed to potential investors and business prospects. The planned Town Center can be packaged as part of the promotional effort.

Suggested Implementation Steps

The City of West Wendover should take the following steps toward revamping their retail attraction marketing effort.

- The City should design a portion of its web site to specifically attract investment by retail developers and casino investors.
- The web site and supporting collateral materials should be revamped to help investors and developers to understand that retail investment in West Wendover present a good business opportunity.
- The data on retail investment opportunities prepared for these reports should be included in West Wendover's promotional materials and web site.

Recommendation #3: The City of West Wendover should create planning requirements to guide the development of new casino/resort complexes. New casinos and resorts should offer Las Vegas style gaming, entertainment, and recreation activities.

Requiring a new casino to offer non-gaming spending options will diversify the economy and reduce the dependency on gaming as a sole source of revenue. In the short term, a new casino in West Wendover has to capture some Wasatch Front spending that is currently going to Las Vegas. Otherwise, a new casino is not economically viable. The Vegas type of entertainment would also provide West Wendover with a new casino product that could attract more repeat customers.

Suggested Implementation Steps

The City of West Wendover should take the following steps toward implementing the development of a new casino/resort complex in West Wendover

- The City should state in its promotional materials that it is interested in new casino/resort investment.
- The City should only consider development proposals that include new entertainment and recreation activities currently not offered in West Wendover.
- The City should not allow new casinos that closely replicate the visitor experience already provided at the State Line, Peppermill, Rainbow, and Silver Smith casino/hotel complexes.

Recommendation #4: The City of West Wendover should not allow heavy industry manufacturers to be located in the community.

One of West Wendover's primary assets is the setting and natural environment that should be protected and enhanced for tourism and gaming. West Wendover should not allow heavy industry business prospects that may threaten the viability of its tourism and gaming industry. Heavy industry such as a chemical plant would most likely detract from the community's aesthetics, and may damage the tourism industry. Heavy industry prospects should be referred to Tooele and Elko County sites away from West Wendover

Suggested Implementation Steps

The City of West Wendover should take the following steps toward implementing the policy of discouraging heavy industry to locate in the community.



Heavy industries like this smokestack would detract from West Wendover as a tourism destination.

- Review the Master Plan being prepared to ensure that heavy industry is not allowed.
- Review current zoning to be sure that heavy industry is encouraged away from the community.
- Make policy changes as appropriate

Recommendation #5: The City of West Wendover should carefully analyze the economic and fiscal impacts of the proposed West Wendover merger with Wendover, Utah.

The City of West Wendover needs to ensure that a merger with Wendover, Utah is fiscally sound and will not reduce the quality of services available to local residents. The proposed merger between West Wendover and Wendover, Utah makes a lot of sense from the standpoint of providing government services and economic development marketing. It is essential that the City negotiate a fiscally sound merger.

Suggested Implementation Steps

The City of West Wendover should take the following steps toward studying the economic and fiscal impacts of the proposed merger with Wendover, Utah.

- The City has already prepared an application to USDA for funding the fiscal and economic impact study.
- If funded, the city should hire an independent consultant to prepare the impact analysis.

Recommendation #6: The City of West Wendover should explore the feasibility of acquiring an Amtrak stop.

An Amtrak stop would improve West Wendover’s transportation linkages along the east – west rail corridor. It would also set the stage for regular rail travel between West Wendover and Salt Lake City. Attracting an Amtrak stop may require creating a rail spur that will allow the train to stop without interfering with Union Pacific freight traffic. Union Pacific would need to be involved in the feasibility analysis.

Suggested Implementation Steps

The City of West Wendover should take the following steps toward studying the feasibility of obtaining an Amtrak stop.

- City staff should contact Amtrak rail planners in Washington D.C., where decisions on rail stops are concluded. The City needs to better understand why Amtrak does not stop in West Wendover, and identify proactive actions that it can take to attract an Amtrak stop.
- City staff should contact Union Pacific rail planners to identify barriers to attracting an Amtrak stop.
- City staff should prepare a cost analysis to quantify the full costs of attracting an Amtrak stop.
- City staff should seek grant funding to mitigate the costs of improvements associated with attracting an Amtrak stop.

Recommendation #7: The City of West Wendover should continue its attempts to annex the Wendover Air Force Auxiliary Field.

Annexation of the Wendover Air Force Auxiliary Field is a critical element of the city's efforts to establish the Port of Wendover. This effort builds upon Wendover's assets and should be continued.

Suggested Implementation Steps

The City of West Wendover should continue to work with their congressional representatives and military officials to ensure that an eventual transfer to civilian uses takes place.

Recommendation #8: The City of West Wendover should continue to work with BSR property owners on land planning and annexation of the property.

The annexation and land planning of the BSR property is vitally important to the city's future because it creates a supply of new privately owned land that can be developed. The BSR property can provide excellent sites for warehouse, distribution, or manufacturing plants that may consider locating in West Wendover. The development of the property would also facilitate the general growth of population and business activity that West Wendover seeks to capture.

The city hopes that the owners will propose a master plan with privately financed infrastructure improvements that will allow the city to benefit from new employment and an expanded tax base without incurring any costs. However, a privately financed

master plan usually occurs in strong real estate market conditions where a developer can quickly recapture the private costs of property and infrastructure improvements. Thus, it should be expected that the property owner will seek the city's assistance to finance the infrastructure improvements needed to make the development successful.

As development negotiations with BSR move forward, the City should keep focused on pro-actively solving infrastructure improvement issues. How can the water and sewer infrastructure systems be extended to the BSR property? Does the city's wastewater treatment plant have sufficient capacity to support the proposed development? What public/private agreements will be needed to finance off-site and common area improvements?

Additional issues to be addressed in the negotiations are as follows. Are the property owner's plans fiscally sound for the City? To what extent do the plans request public improvements? How can the City help finance the improvements while retaining long-term solvency through expanded tax revenues? How should the city's business attraction efforts be coordinated with the efforts of property owners and potential developers?

Suggested Implementation Steps

The City of West Wendover should continue to work with the BSR property owners to annex, plan, and develop the property for multiple land uses.

7.2 RECOMMENDED ACTIONS FOLLOWING THE BSR ANNEXATION

The following set of recommendations represent projects and actions that city staff and the community can work on only after additional developable land has been planned. Each project will need to wait until additional private land has been prepared.

Recommendation #9: The City of West Wendover should attract transportation, warehouse, and distribution firms once appropriate sites have been prepared.

West Wendover has an unmet market opportunity to attract trucking, warehouse, and distribution establishments that will help the community diversify its economy. It is not recommended that West Wendover proactively recruit transportation and distribution firms until adequate sites have been identified.

Suggested Implementation Steps

The City of West Wendover should work closely with the BSR property owners to plan and attract transportation and distribution firms.

Recommendation #10: The City of West Wendover should not invest financial and staff time resources on efforts to attract light industry manufacturing establishments. However, appropriate sites for light industry should be identified on the BSR property, and offered to interested prospects.

The investment of time and money to attract light manufacturing is not likely to be successful, and, therefore, is inadvisable.

The market demand for light industry is very weak. Moreover, light industry manufacturers require sites with costly infrastructure systems in place. It is inadvisable for West Wendover to invest in expensive industrial park infrastructure given its weak market position



West Wendover should not make the mistake of Wells and invest in infrastructure in advance of recruiting industrial prospects.

8. TARGET INCOME GROUP ANALYSIS

Successful implementation of the economic development strategy may lead to the development of 250,000 SF of new retail space, 60,000 SF of gaming space, and 50,000 SF of warehouse and distribution space. This land use development could

create more than 1,200 new jobs, of which nearly 1,100 jobs would be available for the Target Income Group population. Nearly half of these jobs will occur in the services occupations.¹⁶

¹⁶ See Appendix A, Table A-7

APPENDIX A

SUPPLEMENTAL TABLES

APPENDIX B: RETAIL ANALYSIS METHODOLOGY

MARKET AREA DEFINITION

The primary market area was defined as the cities of West Wendover, Nevada; and Wendover, Utah.

HOUSEHOLD GROWTH ASSUMPTIONS

The 2000 household count for the market area is based on the population counts from the 2000 US Census of Population. The Census identified a total market area population of 6,258 with 4,721 residents living in West Wendover. Because at the time of the analysis the full detail of the 2000 Census data had yet to be released, the household size and income distribution assumptions were based on the 1990 Census.

INCOME ASSUMPTIONS

The household income distribution for the primary market area comes from the 1990 Census, and the calculations hold this distribution constant. To estimate current year incomes, the income ranges were inflated using the Consumer Price Index (CPI), and the analysis did not assume any real income growth since the 1990 Census. In order to calculate total household income, the midpoint for each income range was multiplied by the number of households

OTHER DATA SOURCES USED IN THE RETAIL ANALYSIS

Reliable retail sales figures for West Wendover businesses were not available through any public or private sector agency, so ADE used a series of retail benchmarks to estimate sales by local businesses. First, the West Wendover Community Development Department provided a count of retail businesses by store type. ADE took this establishment count and estimated the retail sales by benchmarking typical sales per store for comparable businesses with the 1997 Economic Census data for Elko County. In cases where the Elko County data was suppressed due to confidentiality requirements, a substitute figure was calculated using the Nevada Department of Taxation's taxable sales totals by broad store category for Elko County. Because the establishment count used in the state tax data is confidential, the analysis used the Dun & Bradstreet Marketplace business database as an alternative data source. In select cases where the state tax data did not have an appropriate equivalent retail category available, ADE calculated the sales per store using the more detailed retail definitions available from the 1997 Economic Census at the national level.

In addition to sales generated by West Wendover retail businesses, the food and drink sales data from the casinos was also included in the retail sales totals. This data came from the Nevada Gaming Control Board.

DATA SOURCES USED IN THE ADE RETAIL DEMAND MODEL

To estimate household retail spending demand, ADE developed a retail demand model that breaks out spending patterns by discrete store type and product type. The variables that go into the model are average household income, the number of households in the study area, and any necessary inflation factors. The source of data for the household product type demand is the 1998 Bureau of Labor Statistics Consumer Expenditure Surveys. These surveys stratify the sample based on type of location, income, and region. For purposes of analyzing the household spending in the West Wendover market area, ADE ran separate household retail spending estimates based on six different income strata using a national sample. The model accounts for retail sales that go to non-store retailers, such as direct marketers, catalog-based merchants, and other remote retail providers. Data for analyzing the household demand by store type came from the 1997 U.S. Census of Retail Trade. The model and its data sources also allow for estimates of household services demand.

VISITOR SPENDING ASSUMPTIONS

The estimate of visitor spending potential assumes that West Wendover visitors are primarily drawn to the area as a gaming destination. In order to estimate potential visitor spending in West Wendover, ADE used the visitor expenditure patterns in Laughlin as an analogue. The data came from the Laughlin visitor surveys done by GLS Research, which provided a breakdown of visitor spending by category. The casino revenue data from the Nevada Gaming Control Board served as a benchmark for West Wendover, in particular the food and beverage sales. Using these revenue figures as a control factor, the estimates of visitor spending potential were based on the distribution of spending by visitors to Laughlin. This assumes that businesses in West Wendover can eventually generate the same success at capturing visitor spending that businesses in Laughlin currently have.

APPENDIX C

AVAILABLE FINANCIAL INCENTIVES

APPENDIX D

TOWN CENTER CONCEPTUAL DRAWING