

MEMORANDUM

Date: May 2, 2025

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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