MEMORANDUM

TO: Town Council
FROM: Fred Carpenter, Town Manager
SUBJECT: Event Center
DATE: June 2, 2006

In preparation for Tuesday's discussion regarding the issue of leasing or selling the portion of the event center property that would be used for the hotel conference center, I prepared a Council decision request to frame the issue, which is attached. I have also included a copy of my memorandum from the March 30 special meeting to provide background on potential financing of event center improvements under the lease option.

Addendum to: JUN 06 2006 Sp. 2

MEMORANDUM

TO: Town Council
FROM: Fred Carpenter, Town Manager
SUBJECT: Event Center Special Meeting
DATE: March 24,2006

Staff has completed preparations for next week's special meeting on the 36-acre event center project. Since the last meeting on this issue, we brought together a committee consisting of the following individuals to develop a concept plan:

• Tina Bruess	Chamber of Commerce
• Leon Keddington	Citizen
• Rex Hinshaw	Rodeo Committee
• Bill Schwind	Town Staff
• Glenn Smith	Town Staff
• Charlene Hunt	Town Staff
• Steve Nielsen	NFPD consultants
• Jerry Owen	Town Staff
• Fred Carpenter	Town Staff

The committee held two meetings and agreed on the outline of the concept plan, which is included as the first attachment.

Staff, with the assistance of NFPD, also developed a cost estimate for the Town's (event center) portion of this project, which totals about $2.9 million, including bond issue costs. Grant Hamill, the Town's financial advisor with Stone & Youngberg, developed a debt service schedule for a bond program to complete the event center using sales and bed tax revenues from the hotel/conference center, which is also attached. The final attachment is the Council briefing paper on the project that was developed by Dave Fackler of NFPD.

Staff is seeking authorization to proceed with negotiating a development and disposition agreement for this project. Upon successful completion of the negotiations, staff would bring back a completed DDA for approval. Following approval of the DDA by all

MAR 3 0 2006 Sp.1

parties, we would proceed with final design of the event center portion of the project, bidding (as necessary) and bond issue.

Steve Nielsen will be at the meeting to answer questions about the project. I have also invited committee members to provide their input.

SOURCES AND USES OF FUNDS

Payson Event Center
Certificates of Participation
Series 2006 (15 Year Term)

Dated Date	09/01/2006
Delivery Date	09/01/2006

Sources:	
Bond Proceeds:	
Par Amount	3,780,000.00
	3,780,000.00
Uses:	
Project Fund Deposits:	
Construction Fund	2,900,000.00
Other Fund Deposits:	
Debt Service Reserve Fund*	378,000.00
Capitalized Interest Fund**	356,620.00
	734,620.00
Delivery Date Expenses:	
Cost of Issuance	50,000.00
Underwriter's Discount	94,500.00
	144,500.00
Other Uses of Funds:	
Additional Proceeds	880.00
	3,780,000.00

Notes:
* Held by Trustee Bank for benefit of Certificate holders. Liquidated at end of lease term to make final year's payment.
** Interest Funded on the COPs for 24 months. First payment due from Town on March 1, 2009.

BOND DEBT SERVICE

Payson Event Center
Certificates of Participation
Series 2006 (15 Year Term)

Period Ending	Principal	Coupon (1)	Interest	Debt Service	Annual Debt Service
09/01/2006					
03/01/2007			89,155.00	89,155.00	
09/01/2007			89,155.00	89,155.00	178,310.00
03/01/2008			89,155.00	89,155.00	
09/01/2008			89,155.00	89,155.00	178,310.00
03/01/2009			89,155.00	89,155.00	
09/01/2009	220,000	4.100%	89,155.00	309,155.00	398,310.00
03/01/2010			84,645.00	84,645.00	
09/01/2010	230,000	4.200%	84,645.00	314,645.00	399,290.00
03/01/2011			79,815.00	79,815.00	
09/01/2011	240,000	4.300%	79,815.00	319,815.00	399,630.00
03/01/2012			74,655.00	74,655.00	
09/01/2012	250,000	4.500%	74,655.00	324,655.00	399,310.00
03/01/2013			69,030.00	69,030.00	
09/01/2013	260,000	4.600%	69,030.00	329,030.00	398,060.00
03/01/2014			63,050.00	63,050.00	
09/01/2014	270,000	4.700%	63,050.00	333,050.00	396,100.00
03/01/2015			56,705.00	56,705.00	
09/01/2015	285,000	4.750%	56,705.00	341,705.00	398,410.00
03/01/2016			49,936.25	49,936.25	
09/01/2016	300,000	4.800%	49,936.25	349,936.25	399,872.50
03/01/2017			42,736.25	42,736.25	
09/01/2017	310,000	4.850%	42,736.25	352,736.25	395,472.50
03/01/2018			35,218.75	35,218.75	
09/01/2018	330,000	4.900%	35,218.75	365,218.75	400,437.50
03/01/2019			27,133.75	27,133.75	
09/01/2019	345,000	4.950%	27,133.75	372,133.75	399,267.50
03/01/2020			18,595.00	18,595.00	
09/01/2020	360,000	5.000%	18,595.00	378,595.00	397,190.00
03/01/2021			9,595.00	9,595.00	
09/01/2021	380,000	5.050%	9,595.00	389,595.00	399,190.00
	3,780,000		1,757,160.00	5,537,160.00	5,537,160.00

Notes:
(1) Assumes Certificates of Participation are issued on a non-rated basis with an optional call date of September 1, 2011 (5-year call). Interest rates subject to change based on market conditions at the time of sale.

NET DEBT SERVICE

Payson Event Center
Certificates of Participation
Series 2006 (15 Year Term)

Date	Principal	Interest	Total Debt Service	General Fund	Debt Service Reserve Fund*	Capitalized Interest Fund**	Net Debt Service	Annual Net D/S
03/01/2007		89,155.00	89,155.00	-7,560	7,560	89,155		
09/01/2007		89,155.00	89,155.00	-7,560	7,560	89,155		
03/01/2008		89,155.00	89,155.00	-7,560	7,560	89,155		
09/01/2008		89,155.00	89,155.00	-7,560	7,560	89,155		
03/01/2009		89,155.00	89,155.00	30,240	7,560		51,355.00	
09/01/2009	220,000	89,155.00	309,155.00		7,560		301,595.00	352,950.00
03/01/2010		84,645.00	84,645.00		7,560		77,085.00	
09/01/2010	230,000	84,645.00	314,645.00		7,560		307,085.00	384,170.00
03/01/2011		79,815.00	79,815.00		7,560		72,255.00	
09/01/2011	240,000	79,815.00	319,815.00		7,560		312,255.00	384,510.00
03/01/2012		74,655.00	74,655.00		7,560		67,095.00	
09/01/2012	250,000	74,655.00	324,655.00		7,560		317,095.00	384,190.00
03/01/2013		69,030.00	69,030.00		7,560		61,470.00	
09/01/2013	260,000	69,030.00	329,030.00		7,560		321,470.00	382,940.00
03/01/2014		63,050.00	63,050.00		7,560		55,490.00	
09/01/2014	270,000	63,050.00	333,050.00		7,560		325,490.00	380,980.00
03/01/2015		56,705.00	56,705.00		7,560		49,145.00	
09/01/2015	285,000	56,705.00	341,705.00		7,560		334,145.00	383,290.00
03/01/2016		49,936.25	49,936.25		7,560		42,376.25	
09/01/2016	300,000	49,936.25	349,936.25		7,560		342,376.25	384,752.50
03/01/2017		42,736.25	42,736.25		7,560		35,176.25	
09/01/2017	310,000	42,736.25	352,736.25		7,560		345,176.25	380,352.50
03/01/2018		35,218.75	35,218.75		7,560		27,658.75	
09/01/2018	330,000	35,218.75	365,218.75		7,560		357,658.75	385,317.50
03/01/2019		27,133.75	27,133.75		7,560		19,573.75	
09/01/2019	345,000	27,133.75	372,133.75		7,560		364,573.75	384,147.50
03/01/2020		18,595.00	18,595.00		7,560		11,035.00	
09/01/2020	360,000	18,595.00	378,595.00		7,560		371,035.00	382,070.00
03/01/2021		9,595.00	9,595.00		7,560		2,035.00	
09/01/2021	380,000	9,595.00	389,595.00		385,560		4,035.00	6,070.00
	3,780,000	1,757,160.00	5,537,160.00	0	604,800	356,620	4,575,740.00	4,575,740.00

TOWN COUNCIL BRIEFING PAPER
HOTEL & CONFERENCE CENTER REDEVELOPMENT PROJECT

Developer: **Hospitality Support Group**
Development: **Hotel and Conference Center**

	Hotel Phase:	Event Center Phase:	Residential Phase:	All Phases:
Project Size:	**10 Acres**	**None**	**None**	**10 Acres**
Total Footage:	**84,100 sf.**	**N/A**	**N/A**	**84,100 sf.**
Construction Start:	**2007**	**N/A**	**N/A**	**2010**
Project Costs:	**$21 Million**	**N/A**	**N/A**	**$21 Million**

History:

Following the Town meeting on February 16, Town staff working with NFPD, Inc., the Town's redevelopment consultant, has held an additional visioning workshop with the community to determine if the project could be redesigned to provide for the development of the Hotel and Conference Center without utilizing any of the property currently being utilized by the Rodeo Arena. The Concept Master Plan for the site has been redesigned; moving the Hotel and Conference Center to the approximately 10 acre hillside property northwest of the existing Rodeo grounds. Access to this new Hotel site will be developed along the Westside of the property from Green Valley Pkwy. The Developer was asked to revise his development proforma to include the development of only the Hotel and Conference Center; with the improvement of the Rodeo Grounds to be accomplished separately by the Town.

REQUESTED / RECOMMENDED INCENTIVES:

Town staff working with NFPD, Inc., the Town's redevelopment consultant, has reviewed the Developer's development proforma and requested development incentives for the Payson Events Center Hotel Project, have prepared an Economic Forecast Analysis for the Project (summary attached) and offer the following recommended development incentives for the Town Council's consideration. These incentives should be considered as the "redevelopment tools" needed to ensure a successful Project for both the Town and the Developer. These "redevelopment tools" fall into three categories; **(A) Town Investment Incentives**, i.e. Town investments in its own land and improvements; **(B) Town Development Incentives**, i.e. incentives made to the Developer to help fill the "gap" between project revenues and costs to ensure that the development is successful to within industry standards, and **(C) Private Investment Commitments**, i.e. Developer commitments that generate revenue from the project itself, which provide additional project revenue to both the Developer and the Town.. The Project is projected to generate significant new tax and surcharge revenues on property that has generated *little* tax revenues for decades. Within the first fifteen years of the Project, these new revenues should more than offset the tax abatements and economic development investment incentives proposed for the development. Thereafter, tax revenues should continue to increase, as evidenced in the following Financial Impact Summary:

Financial Impact Summary: (measured in Net Present (current dollars) Value (NPV)

		15-Year NVP	20-Year NPV
Town Revenues:			
1.) Land Value & Leases		$ .56 Million	$ .91 Million
2.) Sales & Bed Tax Revenues		$ 2.54 Million	$ 2.99 Million
3.) Misc. Taxes & Fees		$ .12 Million	$ .12 Million
	Total Revenues:	**$ 3.22 Million**	**$ 4.03 Million**
Town Costs:			
Town Land Investments:			
1.) 15-Yr. Land Value Write-down		$ .56 Million	$ .39 Million
Town Development Incentives:			
1.) 20-Year Government Property Lease / Tax Reduction		$ .02 Million	$ .03 Million
	Total Costs:	**$ .58 Million**	**$ .42 Million**
Net Town Revenues:	**Total Net Revenues:**	**$ 2.64 Million**	**$ 3.61 Million**
Private Investment Commitments			
1.) 15-Yr. Surcharge		$ 1.52 Million	$ 1.65 Million

A. Town Investment Incentives (Town investment in its own land).

1) Land Lease: The Town owns the proposed approximate 10 acre redevelopment site and has for many years during which time the land value of the site has continued to increase. Although the site is under the Town's ownership it still has development restrictions, limited access, infrastructure limitations, etc. These restrictions restrict the fair market development value of the land. Developer has requested that the land be leased for development of the Project, with consideration given to the development restrictions on the land and the extraordinary costs of the Project, in particular the cost of moving the project to the hillside location, at a no cost ($0) rate for the first fifteen (15) years of the Lease. After the first fifteen (15) years, the annual lease rate will be based on fifty percent (50%) of the private contractually-imposed 2% development surcharge proposed for the Project (surcharge is discussed in detail below), plus the following percentage of the Hotel room revenues for the remaining term of the Lease: Two percent (2%) of room revenues for years sixteen (16) through twenty (20); Three percent (3%) of room revenues for years twenty-one (21) through twenty-five (25); Four percent (4%) of room revenues for years twenty-six (26) through thirty (30) and Five percent (5%) of room revenues for years thirty-one (31) though fifty-five (55). This 55-year deferred rent proposal provides a current net present value of Town's land of approximately **NPV $883,000**, based on the Project's projected revenues, however rents are not generated until after the fifteen year deferment.

2) Infrastructure Financing:

Moving the Hotel & Conference Center to the hillside significantly increases the cost of basic infrastructure (streets, sewer & water) necessary to develop the site. However, in addition to the infrastructure needs of the Hotel & Conference Center and the infrastructure improvements needed for the Rodeo Grounds, the Rim Overlook development property of Read Homes will also need the same type of infrastructure to develop their property. The Town should consider, in the negotiations with both

development groups, the use of and participation in an infrastructure Improvement District to provide a long term low interest rate method for financing the development of the infrastructure needed to develop all three properties.

3) Rodeo Grounds Improvement Finance and Cost Offset: Under the revised Concept Plan the Town will provide the finance and the improvements to the Rodeo Grounds. The Town, using the estimated NPV $2.54 million in project-generated sales tax and bed tax revenues, will offset the costs of the improvements to the Rodeo Grounds and any participation in the development of the area infrastructure.

B. Town Development Incentives.

1) Property Tax Abatement: Developer has requested 8-year Property Tax Abatement under the Government Property Lease Excise Tax (GPLET) provision of state law for the Project. However, the Town cannot provide the abatement requested by the Developer because of a recent change in state law related to Redevelopment Districts. Therefore the Town will not need to declare any portion of its property as blighted. Under state law and by virtue of the long-term lease of the property for the Project there will be a property tax reduction for the project. The reduction occurs automatically by the GPLET being approximately 60% of the normal Property Tax. This is a significant incentive to the Project at relatively little cost to the Town. The full value to the Project is that, in addition to the Town's tax rate being reduced the tax rate of all other taxing jurisdictions (i.e. School districts, County, etc.) are reduced as well during the lease period. There is no loss-of-tax impact on the town or the other jurisdictions as they are not currently receiving any tax dollars from this Town-owned parcel, but will begin receiving the GPLET payments upon completion of the Project. **The other taxing jurisdictions will receive approximately NPV $1.25 million in GPLET revenue during the term of the Lease from land that would not normally be taxed.**

	Estimated Incentive – 20-year NPV
• **Twenty-year Property Tax Reduction – Town**	**$29,900**
• Twenty-year Property Tax Reduction – Other Jurisdictions	$1,021,000

The Project will continue to pay the statutory Government Property Lease Excise Tax per state law throughout the term of the Lease. The Town will continue to collect the GPLET and distribute the tax to the other taxing jurisdictions on a proportional basis. As a provision of the Development Agreement, starting in year twenty-one, the Lease will require the Developer to annually pay to the Town a Municipal Service Fee equal to the difference between the GPLET payment and what normal full property tax would be if the Project land where privately owned.

Staff concurs and estimates that this Municipal Service fee will provide the Town with approximately NPV $1.66 million during the 55-year term of the lease.

C. Private Investment Incentives.

1) Hotel Self-Sufficiency Program: Under the Development Agreement and Land Lease with the Developer, the Developer will be responsible to pay for the construction and operation of the Hotel and Conference Center. The Developer will agree to contractually obligate itself and all tenants to the collection of a 2% development surcharge on all taxable sales made within the Hotel and Conference Center Project during the term of the Project Lease. The Development and Lease Agreement will call for the Developer to receive 100% of this surcharge revenue during the first fifteen years of the Lease term. Thereafter for the remainder of the Lease term, the Town and Developer will split revenues generated from the surcharges on a 50-50% basis. In addition, as part of the lease agreement negotiations with the developer, Staff and NFPD will seek to provide the Town with 30 days rent-free use of the Hotel Conference Center on a non-priority basis.

Staff concurs and estimates that the surcharge will provide the Developer with approximately NPV $1.52 Million during the first fifteen years of the Project and NPV $1.65 Million during the first twenty-years. In addition, as mentioned above, the surcharge will provide a portion of the land lease fees to the Town after the 15-year deferment period.

RECOMMENDATION:

Assuming that the Town Council concurs with the above discussed deal points, Staff and NFPD will prepare the initial drafts of the required Development and Disposition Agreement and Land Lease and proceed with negotiations with the Developer.

TOWN ECONOMIC FORECAST

Payson Hotel & Conference Center

Single-Phase, 2-Year Development Project

Expressed in 10 & 20 year Net Present Value & Gross Dollars

SITE DATA

Land Area in Acres:	10	Area in Square Feet:	435,600
Total Building Area in Square Feet:	84,100	Floor Area Ratio	19%

Land Use:

Office Square Footage:	-
Retail Square Footage:	-
Restaurant Square Footage:	8,000
Events Center Square Footage:	6,000
Hotel Square Footage:	70,100
Total Parking Spaces:	250
TOTAL LAND AND CONSTRUCTION COST:	**$ 21,000,000**

Rooms: 150

TOWN REVENUES & VALUE	10 Year NPV	10 Year Gross	15 Year NPV	15 Year Gross
Town All Direct Site General (2.0%)Sales Taxes	$ 1,153,717	$ 1,736,327	$ 1,519,850	$ 2,758,441
Town All Direct Hotel Tax (3.0%)	$ 745,273	$ 1,167,267	$ 1,016,106	$ 1,923,001
Planning & Building Fees	$ 88,785	$ 94,160	$ 88,785	$ 94,160
Town Government Property Lease Excise Tax (GPLET)	$ 23,771	$ 35,827	$ 28,917	$ 50,157
Municipal Service Fee	$ -	$ -	$ -	$ -
Land Market Value	$ 429,196	$ 651,464	$ 557,350	$ 1,009,220
Land Market Value - Deferred Payment Lease	$ -	$ -	$ -	$ -
GROSS TOWN REVENUES	**$ 2,440,742**	**$ 3,685,045**	**$ 3,211,008**	**$ 5,834,979**
OTHER TAX JURISIDICTION GPLET REVENUES	$ 813,243	$ 1,225,673	$ 989,277	$ 1,715,943

TOWN SUPPLIED - INCENTIVES	10 Year NPV	10 Year Gross	15 Year NPV	15 Year Gross
Land Value Writedown - Deferred Payment Lease	$ 429,196	$ 651,464	$ 557,350	$ 1,009,220
Property Tax Deferment - Town	$ 17,025	$ 26,256	$ 24,304	$ 46,610
NET TOWN REVENUES	**$ 1,994,521**	**$ 3,007,325**	**$ 2,629,354**	**$ 4,779,149**
Property Tax Deferment - All Other Jurisdictions	$ 582,455	$ 898,262	$ 831,476	$ 1,594,597

TOWN ECONOMIC FORECAST

Payson Hotel & Conference Center

Single-Phase, 2-Year Development Project

Expressed in 10 & 20 year Net Present Value & Gross Dollars

20 Year NPV	20 Year Gross	35 Year NPV	35 Year Gross	55 Year NPV	55 Year Gross
$ 1,785,205	$ 3,859,544	$ 2,217,924	$ 7,700,260	$ 2,396,346	$ 14,356,177
$ 1,210,949	$ 2,732,983	$ 1,530,048	$ 5,565,227	$ 1,672,079	$ 10,473,473
$ 88,785	$ 94,160	$ 88,785	$ 94,160	$ 88,785	$ 94,160
$ 32,378	$ 64,488	$ 35,827	$ 93,149	$ 36,435	$ 111,062
$ -	$ -	$ 1,446,561	$ 6,032,232	$ 1,655,287	$ 13,354,424
$ 650,035	$ 1,393,808	$ 807,644	$ 2,792,712	$ 877,798	$ 5,216,998
$ 263,132	$ 1,091,875	$ 692,224	$ 4,900,396	$ 883,213	$ 11,500,518
$ 4,030,484	**$ 9,236,857**	**$ 6,819,013**	**$ 27,178,136**	**$ 7,609,943**	**$ 55,106,813**
$ 1,107,706	$ 2,206,212	$ 1,225,694	$ 3,186,751	$ 1,246,496	$ 3,799,588

20 Year NPV	20 Year Gross	35 Year NPV	35 Year Gross	55 Year NPV	55 Year Gross
$ 386,903	$ 301,933	$ 115,420	$ (2,107,684)	$ (5,415)	$ (6,283,520)
$ 29,847	$ 69,645	$ -	$ -	$ -	$ -
$ 3,613,734	**$ 8,865,279**	**$ 6,703,593**	**$ 29,285,820**	**$ 7,615,359**	**$ 61,390,333**
$ 1,021,108	$ 2,382,638	$ -	$ -	$ -	$ -

COUNCIL DECISION REQUEST

SUBJECT: Event Center Project

MEETING DATE: June 8, 2006

CSP ITEM: Yes KRA 6 Objective 2

ITEM NO.:

TENTATIVE SCHEDULE: N/A

SUBMITTED BY: Fred Carpenter

AMOUNT BUDGETED: N/A

SUBMITTAL TO AGENDA
APPROVED BY TOWN MANAGER

EXPENDITURE REQUIRED: N/A

CONT. FUNDING REQUIRED: N/A

EXHIBITS (If Applicable, To Be Attached):

(1) Event center concept plan
(2) Executive summary of appraisal

RECOMMENDED MOTION
I move to direct staff to:

(1) Proceed to develop a lease with Hospitality Support Group for the Payson Event Center Project and return to Council for consideration and possible action; or
(2) Proceed with a new RFP to allow sale of the property, with appropriate deed restrictions for a hotel/conference center facility

SUMMARY OF THE BASIS FOR RECOMMENDED MOTION: At the most recent council meeting on the event center project, consensus appeared to be that the latest concept plan (copy attached) has general approval. Staff was asked at that time to determine whether sale of the approximately 10-acre parcel on which the hotel and conference center would be located was legal under the 2004 request for proposals or whether the project should proceed as a long-term lease. The Legal Department has determined that under the 2004 RFP the only option would be the long-term lease. As a result, sale of the property would require a new process.

Since the most recent Council meeting on the project, a new mayor and four new council members have taken office. Consequently, before proceeding any further with the project, staff is seeking direction.

Also attached is the executive summary of the recent property appraisal conducted by Layton & Watkins, Inc, real estate appraisers and consultants.

PROS:

CONS:

COUNCIL DECISION REQUEST

PUBLIC INPUT (if any): The council meetings listed below have been held on this project since it was determined to issue the latest request for proposals:

04/22/04	Agreement with NFPD for consulting services
05/11/04	Concept presentation at Council meeting
06/10/04	RFP issuance approved by Council
09/29/04	HSG presents event center concept to Council
10/14/04	MOU with HSG approved
02/24/05	1st amendment to MOU approved
12/13/05	Addendum to agreement with NFPD
01/26/06	Development agreement negotiations authorized
02/16/06	Special meeting on concepts for event center
03/30/06	Special meeting on concepts for event center

In addition, staff put together a committee of local citizens to finalize the concept plan for the project. That committee held two meetings and with the assistance of Neilsen Fackler Planning and Development developed the latest concept plan.

BOARD/COMMITTEE/COMMISSION ACTIONS/RECOMMENDATIONS (if any) (give dates and attach minutes):

N/A

Layton & Watkins, Inc.

Norman L. Watkins, SRA Certified General Real Estate Appraiser #30230
Jeffery L. Slater, Appraiser Licensed Real Estate Appraiser #10609

Real Estate Appraisers & Consultants
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lwinc4@qwest.net

May 18, 2006

Town of Payson
303 N. Beeline Highway
Payson, Arizona 85541
Attn: Fred Carpenter, Town Manager

PROPERTY: APPRAISAL OF LAND LOCATED NORTH OF THE PAYSON EVENT CENTER NEAR THE ALIGNMENT OF MCLANE ROAD AND THE BEELINE HIGHWAY, PAYSON, GILA COUNTY, ARIZONA.
L&W FILE #4352

Dear Mr. Carpenter:

At your request, I have appraised the above referenced property, the purpose of which was to estimate its "As Is" Market Value based on **Fee Simple** property rights. The subject property was inspected and necessary investigation and analysis was made by the appraiser to render an opinion of value in a "complete appraisal" written in a "summary report" which is attached.

No personal property is included in the value estimate. The value estimate for the subject is based on an exposure time and marketing time assumption of one year or less.

This summary report is subject to the assumptions and limiting conditions, and certifications found herein and is based on the assumption that the property will not require additional expenses due to the presence of hazardous materials.

This report is subject to the following special assumptions.

Special Assumptions:

1. The appraisal is based on the assumption that no encroachments exist and there are no unusual easements. The size of the site was determined from a legal description provided by the client.

2. It is not known if hazardous substances such as agricultural chemicals, toxic dumping, or other substances are known to be contained on the subject property. The appraisal is made as if no remedial action is necessary. If substantial contamination is found to exist in the property, the appraiser reserves the right to revise the estimated market value. Please refer to "Appraiser's Disclaimer on Hazardous Wastes and Materials" cited later on in the report. *A Phase I environmental study is strongly recommended for any parties who may be considering purchasing the subject property.*

3. The subject property does not have legally dedicated access at this time. This appraisal assumes that access will be made available to the subject site at little or no cost to any potential buyers.

The Market Value of the subject property's Fee Simple Estate, as of April 20, 2006 is:

TWO MILLION THREE HUNDRED FIFTEEN THOUSAND ($2,315,000) DOLLARS.

Respectfully submitted,

LAYTON & WATKINS, INC.

Norman L. Watkins, SRA
President
Certified General Real Estate Appraiser #30230

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

SUBJECT PROPERTY:	Vacant land located north of the Payson Event Center, and west of the Beeline Highway, Payson, Gila County, Arizona.
SITE SIZE:	453,234± square feet, or 10.405± acres, (as determined from legal descriptions provided to the appraiser).
PARCEL NO'S.:	Portions of 304-15-310C, 304-15-310 B, and 304-15-311B.
EXPOSURE TIME:	One year or less.
DATE OF VALUE:	April 20, 2006
DATE OF REPORT:	May 18, 2006
RIGHTS APPRAISED:	Fee Simple Estate
IMPROVEMENTS:	None
ZONING:	C-2 (commercial) and R-3 (multi-family), Town of Payson
HIGHEST & BEST USE:	The highest and best use is to develop the site with a new commercial project such as the hotel project that has favorable approval from the Town of Payson.
MARKET VALUE:	$2,315,000
TAXES:	The Gila County Treasurer's office indicates that there are no taxes on this property since the subject is owned by a municipality.

CONCEPTUAL MASTER PLAN

PAYSON EVENTS CENTER/RIM OVERLOOK SITE
MARCH 2006

SITE DATA

AREA 36 acres ±
ELEVATION varies (5002± - 4928±)

FEATURES

EVENTS CENTER
* covered (300' X 325'±)
* spectator seating
* restrooms/offices
* vendors
* rough stock pens
* pratice arena

HOTEL/CONFERENCE CENTER
* 150± rooms
* conference center
* restaurant/retail
* 250± paved parking spaces

SITE PARKING
* 450± paved car spaces
* 225 – 450± unpaved contestant spaces
* 25± paved handicapped spaces
* contractor spaces

NIELSEN/FACKLER PLANNING + DEVELOPMENT