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May 5, 2017

Jim DeVolld, Chairman
Nevada Tax Commission
c/o Department of Taxation
1550 College Parkway, Suite 115
Carson City, NV 89701

Re: Proposed Amendments to Regulations Addressing Remainder Parcels

Dear Mr. DeVolld:

The Howard Hughes Corporation holds large tracts of undeveloped land in Clark County which we are developing as the Summerlin master planned community. The development process requires us to change the legal configuration of land areas and each time we do so new assessor parcel numbers are assigned to the parcels created. For purposes of the partial abatement from property tax, the new parcels created through this process are treated as either *new parcels for development* or *remainder parcels of real property*. This distinction can have a significant effect on the property taxes assessed to the new parcel. Consequently, we have been closely monitoring the workshops held to discuss proposed changes to the current regulations.

The current regulations have provided guidance on which new parcels should be treated as new parcels for development and which should be treated as remainder parcels of real property. For over 10 years the current regulations have provided real estate developers, such as Hughes, a relatively predictable and consistent application of the partial abatement from property tax to new parcels created through the development process. The news that workshops would be held to consider amendments to the current regulations inserted a meaningful level of uncertainty into our business models.

At the initial workshop on November 1, 2016, Deputy Director Terry Rubald requested that those participating in the workshop submit specific examples of how the tax cap has been (or should be) applied to new parcels. In response, I submitted a letter dated December 1, 2016, a copy of which is attached. In that letter I described common recurring situations where new parcels have been created in Summerlin. For each situation mentioned in my letter, I provided one or more examples of actual new parcels which had been determined to be remainder parcels. As I mentioned, the situations described in my letter are recurring and I wanted to make sure that amendment to the current regulations did not change the tax treatment of similar new parcels created in the future.

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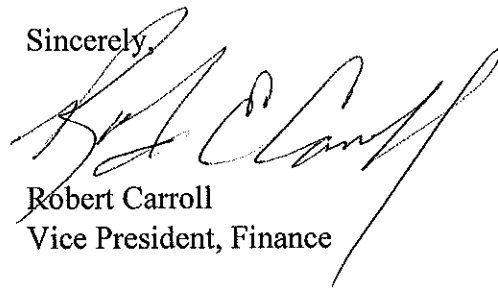
At the workshop on March 17, 2017, the situations described in my letter dated December 1, 2016 were presented and discussed. I am relieved to report that the situations addressed in my letter did not present areas of concern to any participants in the workshop. The new parcels created in the situations described in my letter were treated as remainder parcels under the current regulations and, if the proposed amendments are adopted today, new parcels created in similar situations in the future should also be treated as remainder parcels.

During the workshops we also had the opportunity to discuss the treatment of APN 164-13-410-002 and APN 164-24-401-004. Both of these parcels were treated as new parcels for development in tax year 2016-17, but in a remarkable display of candor, staff from the assessor's office acknowledged that similar new parcels were treated as remainder parcels of real property in the past and that these parcels should be treated as remainder parcels of real property. We believe that characterization is appropriate under both the current regulations, as well as the proposed amendments to those regulations.

In summary, we support the adoption of the new definition of "new parcel for development" in NAC 361.61016 and the addition of language to the definition of "remainder parcel" in section 361.61026. Together these amendments clarify the relationship between new parcels for development and remainder parcels of real property. I encourage you to adopt these proposed changes.

Thank you for the opportunity to provide comment on the proposed changes to the regulations addressing remainder parcels of real property.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Carroll", written over a horizontal line.

Robert Carroll
Vice President, Finance

REC:ew

Attachment

December 1, 2016

Terry Rubald
Deputy Executive Director
Department of Taxation
1550 College Parkway
Carson City, Nevada 89701

Re: Mapping that creates Remainder Parcels

Dear Ms. Rubald:

The Howard Hughes Corporation holds large tracts of undeveloped land and over a period of years we create the residential neighborhoods and commercial areas necessary for a vibrant community. This process involves many steps and as each step is taken the configuration and land area of individual parcels may change. These changes can trigger the need to make a determination of whether the new parcels are remainder parcels. Over the years, we have become accustomed to how the remainder parcel determination has been made in certain recurring situations. The following examples illustrate some of the situations where our mapping has created new parcels which were treated as remainder parcels.

1. Mapping to create residential pads for future development or sale. Maps are drawn to create villages or portions of a village. These maps provide information for the development of roadways, common lots, community open space parcels and larger residential pads for future development. These residential pads cannot be developed without further mapping. In the past, residential pads have been treated as remainder parcels.

For example, prior to the commencement of tax year 2014-15, maps were recorded that created APN 137-27-717-001. This was an 18.56 acre residential pad. In the preceding tax year the land area of APN 137-27-717-001 was included in the land area of APN 137-27-713-001 (a 289.58 acre parcel). For tax year 2014-15, APN 137-27-717-001 was treated as a remainder parcel.

2. Mapping to create the create streetscapes and monuments. These parcels are usually created by maps which create many other parcels, but occasionally the streetscape or monument parcel is partitioned from a commercial or residential pad. For example, APN 164-13-712-017 was a 16.62 acre vacant commercial pad. Prior to the commencement of tax year 2007-08, two small land areas were partitioned from this parcel for use as the location of an entry monument to Gardens Business Center. These new small parcels were identified as APN 164-13-712-022 (a .01 acre parcel) and APN 164-13-712-023 (a .02 acre parcel). The remaining 16.59 acres was identified as APN 164-13-712-017 and, for tax year 2007-08, this parcel was treated as a remainder parcel.

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3. Mapping to adjust the parcel boundaries. This doesn't occur that often, but when it does the resulting new parcels have been treated as remainder parcels. For example, prior to the commencement of tax year 2005-06, a 30-foot wide flood control and maintenance roadway/corridor was dedicated along the boundary between The Ridges and APN 164-23-301-002 – a 677.08 acre parcel to the south. The land area of this flood control and maintenance corridor was taken, in part, from the land area of parcels in The Ridges, such as Parcel “K” which went from a 20.59 acre parcel (APN 164-23-610-001) to a 19.05 acre parcel (APN 164-23-611-004) and, in part, from the land area of APN 164-23-301-002, which became APN 164-23-301-004 (a 671.56 acre parcel). But, all the new parcels which were created by extension of the flood control and maintenance corridor along this boundary were treated as remainder parcels.

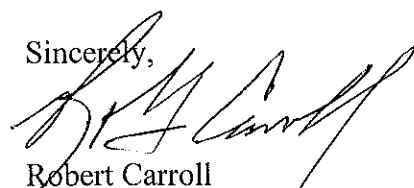
More recently, a boundary was adjusted along a natural wash that runs through Village 24. When we mapped the first superpads in 2006, the parcel boundaries were mapped to the center of the wash. This resulted in a 34.59 acre pad (APN 164-03-111-002) which was held for future sale and development as a residential subdivision. In May of 2015, a map was recorded simply to recognize the natural wash would not be developed. This adjustment of the parcel boundary reduced the size of the pad from 34.59 acres to 27.43 acres. The new parcel (APN 164-03-114-001) was treated as a remainder parcel in tax year 2015-16.

4. Mapping to create roadways. Mapping, or the partition by a metes and bounds description, of roads or land to be dedicated to a municipality. For example, APN 137-22-000-016 was a vacant 1,825.45 acre parcel. Prior to the commencement of tax year 2015-2016, a small portion was transferred to the City of Las Vegas for use as the right-of-way for Far Hills Avenue. The remaining 1,817.05 acres was identified as APN 137-22-000-017. For tax year 2015-16, APN 137-22-000-017 was treated as a remainder parcel.

Similarly, APN 164-01-312-001 was a vacant 176 acre parcel. Prior to the commencement of tax year 2015-16, a small portion of this parcel (approximately .94 acres) was transferred to Clark County for use as the right-of-way for Spruce Park Drive and Orchard Drive. In addition, a narrow streetscape panel (approximately .28 acres) adjacent to those roadways was created. The remaining 174.78 acres was identified as APN 164-01-312-002 and, for tax year 2015-16, this parcel was treated as a remainder parcel.

I do not know if the examples described above present the problems which were the impetus for the current workshop process. Nonetheless, I hope you can use these examples as a basis for discussion at future workshops.

Sincerely,



Robert Carroll
Vice President, Finance