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Southern Developments in Lincoln County - Opportunities for Business

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Summary

The developments in the southern end of Lincoln County, Coyote Springs and the Lincoln County Land Act development, provide a great opportunity for business expansion and development within the county. The potential business opportunities were identified by studying the general requirements for the establishment of the developments and the capabilities of business in Lincoln County. The construction of the developments will rely on currently established business relationships between contractors and subcontractors. Once the developments are built, there are more opportunities for smaller businesses that fit in the current Lincoln County towns. There is great potential for new businesses to be established in small specialty areas of work, such as tree production for landscaping and amenities for individual home owners during house finishing and decorating.

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Objective

This publication is intended to provide an overview of developments in the southern end of the county, the general construction materials and amenities required for such projects, and the potential for Lincoln County to develop businesses to service those developments. The long-term goals for providing this information are:

- Increase business and the number of jobs in Lincoln County
- Capitalize on opportunities arising from the growing population in southern Nevada
- Build on the strengths and abilities of Lincoln County
- Maintain the “peaceful, “ family-orientated lifestyle in Lincoln County

The short-term goal is to identify the business opportunities from the new residential and industrial developments in the southern end of the county that Lincoln County businesses can service.

Identification of Construction and Amenity Support Needs for New Developments

Developments

Lincoln County Land Act (LCLA)

The LCLA, or sometimes called Toquop, is a cluster of eight land parcels located on approximately 13,000 acres in the southeast corner of Lincoln County and just north of Mesquite. The parcels are owned by six different developers. Development on the land is currently awaiting the

completion of a habitat conservation plan, an environmental impact statement (EIS), water agreements and infrastructure planning between all parties. At the earliest, ground breaking will start in the fall of 2007. These groups have to work together to decide roads, water distribution, commercial development areas, highway access, etc. The major land packages have been purchased by well-known developers, who develop middle to upper end housing. Some of the packages have been purchased by land brokers and will be sold to developers. The majority of houses will be built in 5-15 years totaling an estimated 40,000 homes. With so many uncertainties to be resolved, the developers have not completed or released their plans for their land. Therefore, there is not an exact list of needed materials or services for this development to date.

Discussions with the developers indicate that much of the area will be developed into an upper middle class and upper class residential and commercial area. The target groups of people will be second home owners, locals, executives, baby boomers (commuters from Las Vegas) and retired people. With this target group, extra commercial activities will be required in recreation, such as golf, some casinos, shopping centers, big box stores and health services. To determine some areas of demand for building materials and labor, neighboring markets were examined.

Coyote Springs

Coyote Springs is a self-contained development on about

30,000 acres located at the southern end of Lincoln County and partially in Clark County on US Highway 93. The development will become a community by itself, since it is surrounded by Bureau of Land Management and Desert National Wildlife Range. The community, being developed by Coyote Springs Investment (CSI), is farther ahead in development on the Clark County side with some areas being developed such as the 15-acre plant nursery, golf courses and in-ground plumbing in residential areas. Construction of houses is slated to begin in 2007. The development will start in Clark County and move up in a few years to Lincoln County upon final environmental clearance and demand for homes. The promotion and plans for Coyote Springs sells it as "a town away, a world apart". The unique feature about CSI is the first PGA state-of-the-art golf training facility in western United States with up to 10 golf courses (two of which are Jack Nicklaus signature courses), a 45-acre golf training village with 80,000 sq. ft. of clubhouse and events area and short game areas, sand bunker complex, and PGA learning tee area. The goal is to host championship golf and provide training that is top the nation. The community is being marketed as community with space, parks, walkways, an equestrian park, mountain views, wellness and fitness amenities, full technology wiring and knowing your neighbor. The area will contain primary homes, second homes for the weekend, vacation properties, ranch estates and retirement villages. Pardee Homes is contracted to be the major housing developer with starter to upper-end

houses priced around \$200,000 to \$1+ million. Pardee will largely contract out the house building to other home building companies. CSI will build some custom homes on larger lots. There will be villages of condominiums, town homes and retirement communities. As the community grows, it will include the schools, churches, retail stores and businesses of a mid-sized city. The city business center including a casino is planned for the Lincoln County side of CSI. For more information see www.coyotesprings.com or www.pardeehomes.com and <http://www.villagesofcoyotesprings.com/>

Toquop Energy Project

The Toquop Energy Project is the building of a 750 MW coal-fired power plant that will service southern Nevada, Arizona and New Mexico. The plant will be built starting in 2007 on a 640-acre parcel of land located in the Toquop Wash, 50 miles south southeast of Caliente and 12 miles northwest of Mesquite. A 35-mile rail spur will be built to the plant off the Union Pacific line. The plant should become operational in 2011.

List and Specifications of Required Construction Materials and Market's Competitiveness

The following information collected about the contractors and materials used for building a housing development is based on the needs of construction in current housing developments in Las Vegas and the surrounding area and information from discussions with developers of CSI, LCLA, individual general contractors and various construction

trade organizations. The lists of construction trades and materials are general estimates due to development plans being available only for the Clark County side of CSI. Building plans for the developments in Lincoln County will be released in the next few months.

Construction of a development occurs within a matrix of contracting companies. When planned community developments (PUDS) are built, the developers of the land plan what the layout of the area will be with commercial, residential, recreation and service areas outlined. The construction of the buildings is subcontracted to another company or group of companies. CSI has Pardee Homes subcontracted to manage the majority of residential homes and Pardee will subcontract most of the home construction to several home building companies.

Home builders construct homes in small groups known as "releases" or "phases." Each release may contain from five to 15 or more houses with a phase taking 90-160 days to complete. Each individual house takes roughly 1100 man-hours of labor to build. There are about 30 different trades involved in this construction and each subcontractor employs anywhere from 10-300 workers. CSI or LCLA will have a few thousand laborers working at a time when full construction starts.

A list of the 29 subcontractor trades in Table 1 shows the wide range of companies needed and their expertise. Lincoln County does not have an adequate labor pool to be able to compete with established

subcontracting firms. Developers tend to use subcontractors that they have long-term working relationships with and shy away from new, less experienced subcontracting firms. Developers at CSI state that the subcontractors they use in Las Vegas are, for the most part, planning on construction at CSI. In order that a business opportunity in construction for supplying materials or services can be capitalized on, a company must have or create a relationship with one of the subcontractors linked to the development. Cindy Creighton-Nevin, the executive director of the Nevada Subcontractor Association, stated that "Small and new subcontracting companies cannot compete with established construction subcontracting firms due to the large financial resources required to be viable. Also, liability insurance issues are a big road block."

As mentioned, there will be a large labor force at the developments. Most of the workers will be those currently employed by the subcontractors hired. The construction labor shortage in Las Vegas for residential building has eased while the demand for construction labor in the commercial building sector has increased due to the large number of projects currently underway and planned future projects (Home Builders Research Inc. of Las Vegas, 2006). Residential construction has leveled off to a steady pace while commercial building is expanding. Pardee Homes states that rather than there being labor shortages in Las Vegas, they are experiencing shortages in

Table 1. Subcontractor Trades

Note: Listed Alphabetically

Appliances	Insulation
Cabinets	Landscaping
Carpentry - framing	Mailboxes
Carpentry - finish carpentry	Masonry: veneer & block walls
Clean-up	Mechanical contractor: A/C-heat "HVAC"
Concrete: foundation	Mirrors/closet doors/tub enclosures
Concrete-exterior flatwork: driveways, walkways, etc.	Offsites: utilities, streets, street lights, traffic control devices & signage, curb & gutter, parks, etc.
Construction coordinator: plan check prep, administration, accounting, contracts, loan/escrow tracking	Painting: usually same contractor as drywall
Counter tops	Plumbing: underground & finish & top-out
Drywall	Roofing
Electric	Sewer/water-hook-ups
Exterminator: termite spray is required	Stucco
Finish hardware	Supervision
Flooring	Temporary power
Garage doors	Window install - Usually by rough carpentry
Grading	

materials, such as cultured marble vanity tops and roof trusses.

The materials listed in Table 2 are the typical materials being used in current building operations in Las Vegas. Developers and subcontractors purchase materials from large commercial distributors and fabrication companies. Most of these companies employ a large number of employees and work on economies-of-scale to allow their

products to have competitive prices. Many items are imported very cheaply. Only very specialized items can be manufactured on a small scale and maintain a market. Since some of the houses are high-end, some designer specialty products will be demanded. Further investigation into unique features and designer trends for custom, high-end homes would be required to identify specific areas of potential.

Table 2. Materials Used in Construction of a Housing Development in the Las Vegas Area

A/C/heat units	Mailboxes: community boxes style
Appliances	Masonry: veneers and block walls
Brick veneers	Millwork: wood trim/baseboard, etc.
Cabinets & vanities	Mirrored doors/closet doors
Closet hardware: organizers	Mirrors
Concrete	Paint
Counter tops	Plumbing fixtures
Doors & millwork	Roofing materials-shingles, flashing
Doors: regular-interior & exterior	Screws, nails, rough hardware
Drywall , tape, mud & texture	Sheet metal: HVAC
Electric: rough & finish	Stone veneers
flooring: carpet, vinyl, tile, wood, ceramic tile, stone	Stucco
Garage doors	Texture
Hardware-finish hardware; doorknobs, closet poles, etc.	Trusses
Insulation	Tub & shower enclosures
Landscape plants/grass/trees	Windows
Light fixtures	

List Specifications of Required Amenity Goods and Services and Market’s Competitiveness

This report looks at amenity goods and services in two aspects: what is needed for community development for the visual appearance of the community in parks and road ways; and individual home finishing and improvement after initial construction.

Community Development

Developers typically provide community infrastructure (roads, sidewalks, utilities, street lights, traffic signals and signage, parks), and basic construction of houses. Most of these infrastructure tasks are performed quickly by large contracted companies that move on-site for the duration of the work. An area in

which the developers recognized a need is for trees for roadsides, medians, golf courses and parks. CSI is addressing a portion of their need by establishing their own greenhouse business. They have indicated that they will not be able to service every need and have some specialty areas that could be filled. In LCLA, Olympia, the largest land owner has estimated a need for 5-6 foot trees. There will be a requirement for an estimated 10,000 trees per year in 24"-36" containers for one of the developers starting in 5 years and running for 10 years. To service this need, nurseries would have to be established quickly in the county so that the trees could grow to the desired size in the time left before development. Olympia will be providing information on what type of trees they desire when their plans come out in August and once water issues are settled. Both developments have indicated that they will be using low water use plants, including native species. CSI also mentioned plans to build a winery that would import grapes.

Home Improvement & Finishing

Most "after-market" amenities are left to the homeowner to acquire. There

will be a demand for specialty work for individual homeowners, especially of the middle to higher end class that will be in these developments, which can be provided by small businesses.

After-market amenities that homeowners seek include landscapers, (builders landscape front yards, the homeowners must landscape rear yards) plants, sod and trees for landscapers and homeowners, masons for decorative veneers (on fireplaces and driveways) and for construction of custom yard hardscape (brick or stone planters and barbeques), painters for additional painting and faux finish artisans, window treatments, upgraded flooring and appliances, pool/spa, patio and fence contractors, safety enclosures for pools and spas, children's outdoor toys/hardscape. While it may not be feasible for potential entrepreneurs in Lincoln County to operate construction supply and subcontracting companies, there could be a great deal of potential in the "after-market" and service related business realm. Table 3 outlines many potential business opportunities.

Table 3. Potential Lincoln County Business Opportunities

Business Type	Notes
Awnings	For patio covers, backyard shade
Barbeques	Sales, installation, and fabrication (brick and stone type)
Juniper posts	For fencing & decorative landscape applications and are readily available in Lincoln County
Closet and garage organization	Sales & installation
Construction cleanup	Contractors hire clean-up businesses to remove debris from the job site and to do a final house cleaning before homeowners take possession.

Business Type-cont.	Notes-cont.
Decorative veneers-stone, brick, faux stone	
Flooring: carpet, wood, tile, stone	Many homebuyers purchase their new home with the standard, included flooring and then upgrade after taking possession
Landscape hardscape	brick planters, walkways, retaining walls
Landscape maintenance	
Landscaping	Design & install plants, watering systems (parts, installation & service), etc.
Nursery - plants	Wholesale/retail -- "destination nursery" - sell at farmer's market
Paint & wallpaper	New homes come with white walls; a painting/wallpaper business would offer added color, faux finish painting and wallpaper options
Patios	Patio slabs and covers
Play equipment (outdoor)	Sales & installation
Pool/spa fencing	Safety enclosure for pools & spas; sales and/or installation
Recreation: agritourism, bike touring, ATV tour guide, hiking guide, "brown bag lunches"	Capitalize on "natural wonders" in Lincoln County by operating a tourism based business
Soft water systems	Sales & Installation
Window treatments	Custom drapes and curtains, blinds, interior shutters
Water truck	for required dust abatement
Street sweeper	Clark County requires that dirt/mud from construction not be tracked onto existing roads; Lincoln County may have similar requirements. (safety issue)
Porta-potties	Necessary on all construction work sites
Fire extinguishers/first aid kits	Required on job sites; supply and replenishment servicing

Note: Many of the above listed businesses require a Nevada State Contractor's License. Consult local and state agencies for all requirements when operating a business.

Horticulture

Both the community development and individual home finishing sectors indicated business opportunities in horticulture. Further investigations were done on the potential business opportunity of the horticulture area.

The wholesale and retail nursery business is very competitive. Publications as well as discussions with managers of nursery operations indicate that it would be an uphill

battle for a new, small nursery to compete with the established giants in the industry such as Color Spot Nursery, Star Nursery, Wal-Mart, Lowes and Home Depot. Starting a nursery business is very capital intensive. Current nurseries have a minimum of two acres and up to 100+ acres, with an average of 55 acres of land being required for a successful growing operation. Other overhead expenses include plant stock, watering systems,

heating/cooling devices, green houses, nutrients and growing medium/soil amendments, business licensing, labor, labor tax responsibilities, insurances, marketing/advertising, packaging costs and transportation.

It is very difficult to compete and gain access to the mainstream nursery business. Many of the large nurseries and outlets are connected with each other through ownership or agreements. The size, experience level and connections of the major nurseries make it very difficult to compete with any products they offer. Many small, well-established nurseries are struggling to remain viable. A new, small-scale nursery would likely fail unless it offers products that are unique or that are location dependent. This could be new plants offered or an approach of offering a service, such as area adapted plants or native plants. Large trees that are adapted to the area would have a location advantage.

One of the nursery managers interviewed described several successful "destination nurseries." A destination nursery is a nursery established for retail sales and set up as an attraction. In addition to the plants for sale, decorative displays using the plants and creative hardscape form a park-like environment to be enjoyed by customers. Many destination

nurseries become a recreation site for locals and a tourist attraction for travelers offering value added products, (jams/jellies, juices, baked goods, etc. using local produce) and local crafts for sale that supplement the income of plant sales.

Destination garden nurseries and community gardens can also offer valuable educational opportunities.

Toquop Power Plant Construction and Operation Needs

There will be an estimated 800 construction jobs for building a railway and the Toquop power plant starting in 2007 and finishing in 2011. The materials for construction will be steel and concrete and likely sourced from large construction supply companies. After the plant is operational, it will employ 110 people with healthy salaries and benefits in mostly engineering and equipment operation positions.

Future Work

The developments at the southern end of Lincoln County provide a great opportunity for economic development. The next step to developing and expanding business will be to focus in more detail on the opportunity areas. This can be achieved by acquiring details on the developments as they are produced and education on the production and markets of the opportunity areas.

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Steve Fuller	TruBuilt Custom Homes, Las Vegas, Nevada
Lee and Rhonda Bradshaw	D.L. Bradshaw/Rainbow's End Construction, Lincoln County, Nevada
Daniel Bushey	Affordable Foundation Concepts, Lincoln County, Nevada
Jim Wilkins	Wilkins Trucking (Construction trucking, gravel pits, concrete plant), Lincoln County, Nevada
Tyler Mason	Bearing Point LLC, General Contractor, Alamo, Nevada
Adrian Gonzalas	Director of Sales & Marketing, Pardee Homes, Las Vegas and Lincoln County
Doug Carriger	Coyote Springs Investment
Kathy Perkins	TB & E; company provides water, sand, and gravel to CSI; Alamo, Nevada
Cindy Creighton-Nevin, Exec. Director	Nevada Subcontractor Association
Las Vegas Business Press: "...Developer Revises Plans Due to Building Costs"	Martin-Harris Construction's President Frank Martin states, "The local subcontractor pool is currently overtaxed by 15 to 18 percent by the high volume of work and I don't see any end on the horizon to the boom."
Steve Holloway, executive vice president of the Associated General Contractors	"There is a severe shortage of skilled labor, which in turn is driving costs."
Connie Suckling, Southern Nevada Home Builders Association	Construction/development statistics; updated 3/14/2006
Cindy Creighton-Nevin, exec. director, Nevada Subcontractor Association	"Small and new subcontracting companies cannot compete with established construction subcontracting firms due to the large financial resources required to be viable. Also, liability insurance issues are a big road block."
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Mr. Robert Dannyberger, owner	Commercial/wholesale tree grower, Las Vegas & Sandy Valley, NV
Mr. Kelly Zeh	Zehco, Inc. Distributor of soil amendments, tools, etc.to retail outlets and to landscaping companies, Las Vegas, NV
Mr. Jerry Halamuda	Color Spot Nurseries, Inc; wholesale distributor
Plant World Nursery	Las Vegas, NV
Moon Valley Nursery	Las Vegas, NV
CCSN Desert Garden Center	Las Vegas, NV
Kathy & Rick Halbardier	Tahoe Ridge (winery) Genoa, NV
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