DISCLAIMER

Electronic versions of the exhibits in these minutes may not be complete.

This information is supplied as an informational service only and should not be relied upon as an official record.

Original exhibits are on file at the Legislative Counsel Bureau Research Library in Carson City.

Contact the Library at (775) 684-6827 or library@lcb.state.nv.us.

#3

Stuart Schillinger, Budget Manager for the City of Reno: The properties are valued a approximately $42 million. This includes the lease income that we receive of it annually. The lease income is $1.1 million yearly with the ability, for over the life of the project, to inflate those lease incomes. The properties themselves, I believe, have an assessed value of $9 million. If the assessed value is $9 million, the taxable value is probably close to $25 million. We're also looking at the value of the air rights once the tracks are depressed. The financing plan includes the sale of air rights only after the project is depressed, and the air rights become more valuable. Not at the current time.

Assemblywoman Freeman: I read someplace that the air rights have already been sold. Could you elaborate?

Mr. Schillinger: Sure. The air rights have been sold from 28 feet and up. By depressing the tracks we're now going to be able to sell an envelope of air rights from ground to 28 feet. Very hard for a building to be located 28 feet above the ground; however when you're able to do it at ground level, you're able t have a bigger structure.

Assemblywoman Freeman: By depressing that area, that would leave a layer of air rights that has not –

Mr. Schillinger: Correct.

Assemblywoman Von Tobel: I'm just wondering if you're going to have any concerns with eminent domain? If so, would you be budgeted for that?

Mr. McNeely: We have a fairly healthy contingency account of some 30 percent, I believe, or more, in the project. I'm sure we may deal with some issues along the right of way, but at this point in time I'm not sure of the extent of that.

Mr. Varela: There's also a line item in the actual cost estimate that deals with the need of property acquisition for the project.

Chairman Bache: Identify yourself.

Mr. Varela: There's also a line item in addition to the contingency that actually deals with the needed right of way, including easements and any property takes that are needed for the project.

Assemblyman Mortenson: I apologize. I was tied up on one of my bills and I got in here late and I'm sure the question was answered before I got here, but I want to ask a yes or no vote. The only thing we're affecting here – the decision has been made on the sales tax. Anything we vote here doesn't affect that. It's only whether or not the room tax can be used as funds for the project and pay-as-you-go and that sort of thing. It doesn't affect the sales tax at all? Or the imposition of it?

Mr. Varela: That's correct.

Assemblyman Mortenson: That's important to me. Thank you.

Chairman Bache: Any other questions? I don't see any. Ms. Traficanti, I assume you didn't want t testify? Or did you?

Merri Belaustegui-Traficanti: Yes, I do. Deputy City Attorney, City of Reno. I was here simply t objection made to the identification and the approval of the proposed events center. In September 2000, we presented a proposal to the Stakeholders Committee to finance the events center as follows: $1.5 million annually from S.B. 477, a room tax increase, a special assessment district in downtown Reno as outlined by Mr. Sande, and $20 million in subordinated notes from Newco, the company formed of Harrah's Entertainment, Eldorado Hotel and Casino, and Mandalay Bay Resort Group which includes Circus Circus and the Silver Legacy Resort Casino. In September 2000, the committee referred the proposed financing method to the redevelopment agency for financial review and input. At that time, no objection to the proposed financing method was made by any private interest present at the meeting. In November 2000, the redevelopment agency came back to the Stakeholders Committee providing their review and input and the Stakeholders Committee approved the method of financing as previously outlined: $1.5 million from S.B. 477, the room tax increase of 1.5 percent in downtown Reno, the special improvement district, and the $20 million in subordinated notes. I think we have fulfilled precisely what the expectation of this legislature was when they passed S.B. 477 which was to do our best, first as the Stakeholders Committee, and then as four companies and Newco, to present a proposal to the stakeholders to do something which could affect tourism in downtown Reno and could help revitalize downtown Reno.

Donald L. Carano, Chief Executive Officer, Eldorado Hotel and Casino:
This facility would be located in downtown Reno between Fourth Street and Sixth Street between Lake Street and Center Street. This area is approximately 115,000 square feet and it adds the ability for downtown to have conventions mid-week and on the weekends, to provide a facility to handle large amounts of people. This facility is absolutely necessary to revitalize and redevelop downtown Reno. Our concern here is obviously our competition across the mountains; and unfortunately Reno, as opposed to Las Vegas, depends a lot on the trade we get from California. We know the people in northern California can go by five casinos the size of the Silver Legacy Resort Casino or larger before they ever get to Reno if they only need to come for gaming. So, we have to offer something besides gaming to have people come to Reno, Nevada.

See NexT PAGE #L

The redevelopment of downtown Reno, with the Cordish Company, has been our program, which would set forth additional entertainment facilities, retail, and restaurants in downtown Reno; however, something has to make it go. The Cordish Company has publicly stated this facility is a necessity as a catalyst to generate the people on the street to redevelop downtown Reno. We are very supportive of the RSCVA and the present convention facility, which they are expanding and we will continue to be supportive of it. Of the room tax rate of 12 percent collected downtown, 9.625 percent goes to the RSCVA for the support of the facility. We are not backing away from our support of the facility and of course we want to coordinate the facility with our downtown facility. We have volunteered to put the executive director of the RSCVA on a new core board to coordinate with us on a daily basis. We are not in competition; we are developing another facility, which will generate more people in Washoe County. We know if we do not do this, what alternative do we have to revitalize downtown Reno? We know downtown Reno in the last 10 years, from a property tax standpoint and desirability, has gone downhill. How do we turn it around? If we do not turn it around, it is going to continue to decline, which takes away the taxes it collects from the state, county and city, as well as the RSCVA. We feel we will increase the average

daily rate, as well as the occupancy, with this facility, again supporting the RSCVA with additional monies for marketing or whatever.
What we have here is a remarkable public-private partnership, including the fact the downtown properties are putting up $20 million towards this facility, and have two outstanding national gaming properties, Harrah's Reno and Mandalay Bay Resort Group, participating. I think it is really significant for them to invest in downtown Reno. I see, for the long run of downtown Reno, this is an absolute necessity and without this facility there will not be a revitalization or redevelopment of downtown Reno.
John Frankovich, Attorney:
I am representing a unique partnership in northern Nevada; four competitive gaming companies who have joined together for a project they feel is of great significance to northern Nevada. Mr. Greathouse from Mandalay Bay Resort Group was unable to be here today but has submitted a letter (Exhibit D) to the committee indicating their support for this bill. Under the direction of the Stakeholders Committee, a financing plan was put together by a group of experts, which included the Cordish Company, Arthur Anderson, SMG, Ellerbe Becket, and Turner Construction, who did the cost estimates. We retained, separately, Salomon Smith Barney, a national underwriter, to do the bond analysis and the underwriting for this particular project. This financing plan was modeled after the plan done in Las Vegas for the Freemont Street Experience, which used room tax money and money from private funding to fund that highly successful project.
The source of funding, and the discussion in which I am addressing it, is set forth on page 6 of the handout (Exhibit C). We anticipate the cost of the project will be $65 million and we will have $45 million in bonded indebtedness, which will be repaid by the room tax increases from both S.B. 477 of the Seventieth Session and S.B. 221, if this is adopted. The other $20 million will come from the subordinated debt of $5 million from each of the properties. When we say subordinated, we mean deeply subordinated; this is more like a reserve or a safety net. If there are any problems on this property, if there are cost overruns, if the revenues do not meet expectations, or if the operating costs are excessive, that comes out of the repayment of this $20 million subordinated debt. Under the schedules put forward, the repayment of this does not start until 2019. It is a safety net in case something was to go wrong.
The source of the funds includes approximately $1.5 million from S.B. 477 of the Seventieth Session, the room tax increase proposed by this legislation which would generate approximately $1.7 million per year, and we have a special assessment district to be created in downtown Reno which was originally proposed to be $1.3 million. A number of property owners in downtown Reno objected to the $1.3 million, saying they did not think it was fair, or at least the allocation of it was not fair, and we have been negotiating with them over the past several weeks and months. We have reached an agreement which does two things: one, it reduces the amount of the assessment district to $900,000 and second, it increases the share the Newco property would take, which would be $700,000 of the $900,000, leaving a $200,000 balance to be spread to the rest of downtown Reno. If you add up those numbers, there is $4.1 million in revenues each year to satisfy the debt. The debt service on the $45 million in bonds, not including any repayment of the $20 million subordinated, is about $3.15 million per year.
In addition, the financing is to cover an anticipated $758,000 operating deficit per year. The number we should expect was set forth by Arthur

Barney, whose firm was the number one underwriter of government projects in Nevada.

Mr. Sande provided for the committee a booklet entitled "Proposed Events Center Fact Sheet," (Exhibit C). The proposed project was a 115,000 square foot special events center in downtown Reno that would be immediately north of the bowling stadium. The total project would cost $65 million including the land acquisition.

S.B. 221, Section 1, would authorize the City of Reno to establish a special improvement district in downtown Reno only. They had met with all the interested property owners in downtown Reno and had reached an agreement whereby the total improvement district assessed each year would be $900,000. Of that, the four properties Mr. Sande had named agreed to pay $700,000. The other downtown businesses would be assessed by the City of Reno to pay the remaining $200,000. That assessment would be based upon the benefits expected to be received by those businesses. Office complexes and residential buildings would be excluded.

Section 2 would allow the City of Reno to impose an additional room tax, only in the downtown area, of 1.5 percent to fund the project along with the special assessment district.

Mr. Sande emphasized only the people in downtown Reno, who supported the project unanimously, would pay for the project. Those outside of downtown Reno would not pay in any part. Mr. Sande stipulated they were simply seeking enabling legislation, as the proposal needed to go before the City of Reno.

Mr. Sande presented background information provided on page 3, entitled "Summary of Senate Bill 477 - 1999 Legislative Session," of Exhibit C. The resultant compromise among the parties involved in S.B. 477 of the Seventieth Legislative Session was to:

* Set aside enough room tax to fund a $105 million expansion of the Reno Sparks Convention and Visitors Authority's (RSCVA) Convention Facility.
* Set aside $1.5 million annually for an undetermined project in downtown Reno that would promote tourism in Washoe County and help revitalize downtown Reno.
* Set aside up to $350,000 annually for the City of Sparks to market tourism.

S.B. 477 created the Truckee Meadows Tourism Facility and the Revitalization Steering Committee, or "Stakeholders Committee."

The Stakeholders Committee had two responsibilities:

* Identify a capital improvement project in downtown Reno to promote tourism by a two-thirds majority vote.
* Identify the "method or methods" of financing the capital improvement project.

Mr. Sande asserted there was never an agreement or intention, of which he was aware, that the $1.5 million to be set aside annually would be the only money to go toward downtown Reno. He added that in addition to the room tax and the special assessment district, the four downtown properties referenced in the beginning of his testimony agreed to make a capital contribution of $20 million to ensure the project would be "economically viable."

Chairman Goldwater asked if there were any questions of Mr. Sande. There were none. Chairman Goldwater advised Mr. Sande that his committee would not be comfortable with a vote on this day.

Phil Satre, Chairman, CEO, Harrah's Entertainment, informed the committee he