

**MINUTES OF THE
SENATE COMMITTEE ON COMMERCE AND LABOR**

**Seventy-fourth Session
May 23, 2007**

The Senate Committee on Commerce and Labor was called to order by Chair Randolph J. Townsend at 8:58 a.m. on Wednesday, May 23, 2007, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4412E, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Randolph J. Townsend, Chair
Senator Warren B. Hardy II, Vice Chair
Senator Joseph J. Heck
Senator Michael A. Schneider
Senator Maggie Carlton

STAFF MEMBERS PRESENT:

Kelly S. Gregory, Committee Policy Analyst
Wil Keane, Committee Counsel
Gloria Gaillard-Powell, Committee Secretary
Scott Young, Committee Policy Analyst
Laura Adler, Committee Secretary

OTHERS PRESENT:

Kyle Davis, Policy Director, Nevada Conservation League
Stephen Wiel, Ph.D., Southwest Energy Efficiency Project
Joseph L. Johnson, Consultant, Toiyabe Chapter Sierra Club
Robert Tretiak, Ph.D., Business Development Officer, International Energy Conservation
Terry K. Graves, American Chemistry Council; World Jewelry Center
Renny Ashleman, Southern Nevada Home Builders Association; City of Henderson
Robert L. Crowell, Boyd Gaming Corporation; Echelon Resorts

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Kevin J. Sullivan, Senior Vice President, Chief Administrative Officer, Echelon Resorts
Michael C. Mathis, Vice President, General Counsel, Echelon Resorts

CHAIR TOWNSEND:

This workshop is regarding Assembly Bill (A.B.) 621.

ASSEMBLY BILL 621: Makes various changes in the provision of tax abatements and exemptions based upon the use of energy and repeals certain prospective energy requirements for public buildings. (BDR 58-1512)

The jurisdiction of the bill is still in the House of origin, but due to the lateness of the Session and the importance of the bill, in discussing this with Speaker Buckley, we agreed we would start hearings as well. The Assembly committee had their first hearing on this yesterday, and took testimony on the bill dealing with the prospective nature of changes to what is commonly known as A.B. No. 3 of the 22nd Special Session. It is my understanding that the same committee will take this up again this afternoon, as to the retrospective nature of what they feel is an important step in resolving the challenges facing a number of components.

As this Committee remembers when we presented Senate Bill (S.B.) 437, the focus of that, and to a great extent A.B. No. 3 of the 22nd Special Session, is reducing energy consumption in Nevada. As we continue to grow as a State and face the unique topography challenges and weather patterns provided us, we have tried to identify those problems in various forms. Whether it was the minority leader's bills on school district issues, net metering and other renewable areas or the large utility working group bill or this bill, it is all geared toward trying to reduce energy consumption in Nevada. Right now that is our single biggest problem.

SENATE BILL 437 (1st Reprint): Revises provisions concerning generation and consumption of energy. (BDR 58-232)

If you remember, in the toughest days of the last few summers, anytime you are buying energy on the spot market, you are paying the most expensive energy rates in the world, because it is purchased power under our Deferred Energy Accounting Adjustment or DEAA membership that is passed on to the

consumer. Anytime we can protect the consumer from having to face spot-market purchases, we have done a positive thing. These bills are all geared towards the same goals. There may be some differences as to how to get there, but that is why we have a committee process.

CHAIR TOWNSEND:

Section 2, A.B. 621, says the Nevada State Office of Energy (NSOE), Office of the Governor, will adopt a Green Building Rating System. It redefines that in section 2, paragraph (b), line 18. The reason that is in there is simple, because under the Leadership in Energy and Environmental Design (LEED) standard, which is a national standard, they did not exactly visit Las Vegas to see that our structures tend to be substantially larger than anywhere else in the world. Therefore, the Assembly wanted to make that accommodation.

Section 2, paragraph (c), line 20, "Must provide up to 2 points of additional credit for energy conservation," is a statement they were making that energy conservation is important. In fact, our top priority in dealing with LEED is to give additional credits. We will focus on the mechanics of that, whether the number is two or should be higher, that will be a Committee decision.

Section 3 tries to take what has been some confusion as to what was in A.B. No. 3 of the 22nd Special Session, and how one would apply for tax abatements, how one would qualify and centralize it. That statement in section 3 is throughout this bill and is extremely important. It removes land from the discussion of the abatement; it is only on the building.

In discussion with the Commission on Economic Development in the interim, the proposal was brought forward by Commissioner Miller. I agreed with Mr. Miller, but they did not accommodate that and it is clarified in this bill. I asked our counsel, Ms. Erdoes, to make sure we know the intent of the previous line from the Assembly with regard to the statement on page 2, lines 24 and 25, "... from the portion of the taxes imposed—that are not used to provide funding for school districts" If the attempt is to protect the distributive school account, which is 55 cents for debt, 3 cents for operation; the guarantee we have, and the counties have a 3-cent option. It gave me some concern that this language was not as tight as it should be. The Assembly did yeomen's work in putting this together in four days. The Legislative Counsel Bureau (LCB) has been notified that perhaps the Assembly committee could provide their

direction, because that term on line 25 of section 3, page 2, means a lot of things to a lot of people. The last thing we need to do is have confusion.

CHAIR TOWNSEND:

Section 3, subsection 1, paragraph (b), subparagraph (1) is where we seem to have had problems in the past. There is an attempt by the Assembly to clarify the application process. I cannot give you a clear definition of what that means; "the scope of the project." We have asked the Assembly to provide us with that. It may be in the bill because I identified for the LCB that the bill needs some clarity in their House. Does scope mean square footage; does it mean environmental issues; does it mean costs; what does it mean? Under the way this bill is currently written in that section, anyone who completed their project, and there was a ten percent or more change after June 30, 2009, your entire abatement application would expire and you would get nothing. If that is their intent, we would like to know that.

In subparagraph (2), paragraph (b), subsection 1, section 3, one could interpret that it gives you 36 months to build a project that has to be determined by an independent contractor, etc.

Subsection 2 of section 3 redefines that portion of subsection 3 of section 3, paragraph (a). Again, this is on the building or structure and not on the land. They have narrowed this to the silver level being 25 percent; excluding the funding for school districts. The gold is at 30 percent of the portion of taxes abated that are not used. That is after you carve out the Distributive School Account (DSA). Platinum level is 35 percent.

Line 41, page 3 has, again, raised questions. We have asked for clarity from the Assembly. Does that mean there is no sales tax abatement because you cannot have another abatement, or does it mean any other demonstration project that might be on your property such as, wind, solar, geothermal or other project for which you receive an abatement that is already in the law?

Apparently, they wanted some kind of backup program on the partial abatement on page 4, line 1. That is there to cover someone changing their design after they receive their abatement.

Continuing on line 4, I am not sure what that means, but they will try to provide that explanation to us.

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CHAIR TOWNSEND:

Line 8, page 4, provides for forms at the various levels of application, which we did not have prior to this.

Section 4 is not a new section. This is the burning-of-tires section. We processed this in a bill about ten years ago.

Section 5 is also not new, and section 6 is also a repeat.

Section 7 is a sales tax issue that is already in the law and placed back into this section.

Section 8 is current statute. Subsection 4 has been removed because it is repeated in another section.

The purpose of most of this is to consolidate all the abatements regarding renewable energy and any tax abatements into one section of the law. Section 9 is the same thing making it easy to follow. It is important to look at the text of repealed sections, because in many cases they are repeated in the bill, so that component of the law is not lost.

Committee, that is the best explanation I can provide so we have at least an idea of what the Assembly is intending to send us. I have discussed with Mr. Ashleman, who works with the State Public Works Board, as to their current requirements and he has a matrix for us. That matrix deals with LEED; then he applies the State Public Works Board's standards that they have already adopted, and what would be required by state and local regulations. Those are things that could be achieved under LEED that are at no significant cost. Then there are those that are obtained at a small cost and that is for public works. As you know, in order to process S.B. 437 we had to take the portion that mandated all state buildings be built to a LEED standard.

This is an excellent document that I believe our Chair of the Senate Committee on Government Affairs, who happens to be the vice chair of this Committee, will be looking at. In working with that committee, I believe there is real value in working with the State Public Works Board as we move forward. There is a lot that can be obtained for purposes of energy reduction and sustainability by working together and using this matrix and working with the State Public Works Board.

We also have a matrix from the State Public Works Board that specifically talks about the projects under way and what is on the Capital Improvement Program (CIP) list. The current projects that will be built to a LEED standard are at the University of Nevada, Las Vegas; the Greenspun College of Urban Affairs, and the Desert Research Institute's CAVE completion. Both of those will meet LEED standards, and the remaining portions are being analyzed vis-à-vis this new matrix.

The Assembly is working assiduously to come up with proposals to provide to this Committee.

SENATOR HARDY:

I received a couple of e-mails regarding shell and core. I am concerned it may be looked over lightly. I think it is a bit of a misunderstanding about how the construction process works. If we go over that too lightly, we are going to eliminate any commercial project. That is where the LEED standard is going to be in the shell. Is that addressed in the bill or was that a preemptive strike by the e-mails?

CHAIR TOWNSEND:

That is an excellent question. Two days ago the Legislative Commission rejected the Commission on Economic Development's regulation on core and shell. It did so as a result of the great challenge that we face. I do not believe it was a statement that the core and shell is not a component of this. I want to make this perfectly clear because you asked a good question. Core and shell from a commercial perspective, may be where the greatest savings can occur in our future development. It is not in the bill, but I think that needs to be addressed. It is a good question and I hope the Committee keeps it on its radar.

SENATOR HARDY:

I am not making a statement one way or the other. I want the Committee to understand that is a huge policy decision, if we want to decide that certain projects are eligible. I did not want a lack of understanding of a construction process to have an unintended consequence.

My other question is a procedural one to get direction from you as to how you would like me to proceed. As you know, I had discussions off-line on a couple of bills before the Senate Committee on Government Affairs regarding abatements on redevelopment. Instead of doing these on an ad hoc basis in

legislation, I want to take a global look at those abatements. I do not know that it fits here; I do not know if you want to try to do it here or if you want me to work on parallel tracks to come up with something.

I am glad Mr. DiCianno is here, because I think his input is key in going forward to be relatively easy to address. I am not sure we can address it going the other way. I want to get some direction from the chair on whether or not you think we can do that in conjunction with this or whether I should begin working on a parallel track.

CHAIR TOWNSEND:

I would recommend a parallel track for multiple reasons. This Committee does not have jurisdiction over the State Public Works Board. More importantly, with regard to what I presented, those challenges and abatement issues in many ways are government issues. I would hope that since the minority leader, the chair of the Senate Committee on Finance and its vice chair who sit on your committee would bring a certain corpus of intellectual concern to address those issues. A parallel track would be more than appropriate and the best way to go.

SENATOR HARDY:

If I could solicit Mr. DiCianno's input off-line into the obstacles we may be facing this session and then go forward. The real reason I bring it up is I want that to be part of any future discussions we have relative to all abatements in terms of the impact on the Distributive School Account on the schools. Whether we are able to accomplish anything on that this session or not, I want to make sure it is in our minds as we go forward. I will work on a parallel track to try to come up with a resolution.

CHAIR TOWNSEND:

We are fortunate to have Ms. Vilardo to explain to people the nuances, and there are many, of abatements and their effect on many things such as, the state budget, the local school districts, the fire districts, the general improvement districts and the local governments. Before she decides to retire from this process, we want to make sure we take advantage of her capacity.

I can tell you, unless you sit on taxation or spend time with Mr. DiCianno and his staff, it is a lot more complex than people think it is. It certainly is more complex than I thought it was when I was first put on taxation. I think those debates are important and should be on parallel tracks. There are

three components and that is the energy policy over which this Committee has jurisdiction; there is its effect on government over which the vice chair has jurisdiction and the impact on the budget and taxation, with which two other committees deal.

KYLE DAVIS (Policy Director, Nevada Conservation League):

In front of you is a document titled: "Testimony on Tax Abatements for Green Buildings" ([Exhibit C](#)). First, there is the situation as we understood it before this bill was introduced, and then an update after we reviewed the bill draft request (BDR). We concluded we are in support of the new language. We think this language would still make Nevada a leader in incentivizing green buildings to encourage energy conservation, water conservation and sustainable building. For the details on that, we provided this testimony to the Assembly Committee on Commerce and Labor, yesterday.

STEPHEN WIEL, PH.D. (Southwest Energy Efficiency Project):

Attached to these comments are comments that had been prepared in anticipation of BDR 58-1512, which we submitted to the joint Senate and Assembly committees last Friday. We want to commend this Committee because, in fact, this bill generally accommodates what we have been saying was the right way to go. Specifically, you provided A.B. 621 to be consistent in four important areas. You reinforced the original goal of the tax-abatement provisions of A.B. No. 3 of the 22nd Special Session, which we applaud. You added a separate minimum energy-efficiency requirement, which we strongly agree with, because it is possible to achieve LEED silver without energy efficiency and a minimum requirement is important, and something the LEED people have been working on this past year. We approve the added direction you provided on implementation of these provisions and the graduated level of abatement that you maintain is an important provision as well.

We are here to offer one correction and three suggestions for further strengthening the bill. First, the correction in section 2, subsection 2, paragraph (c), the wording, currently is, that to qualify, you have to have up to 2 points for energy efficiency. We think the intent is to say, "at least 2 points." That sets the minimum requirement which we think was intended.

Two of our suggestions for improvement are to make the eligibility requirements for gold and platinum stronger, and to make the abatement benefits stronger as well.

We recommend that not only do you provide that eligibility requires 2 points from the energy-efficiency portion of LEED to be silver, but that it also require 5 points to be eligible for gold and 8 points to be eligible for platinum LEED. We have provided some information on activity that has been underway the past year by the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) and the Green Building Council people to look into provisions like this.

Then, if you actually achieve gold and platinum, we are recommending that the gradation at the abatement level from silver to gold to platinum be steeper. Namely, that the reward for achieving gold instead of silver is to be more in line with the achievement and the difficulty in achieving it.

On the energy-efficiency side, the silver leads to about a 14-percent improvement. Gold is twice that; going from 25 percent to 30 percent. The partial abatement does not seem to be proportionally in line. Therefore, we are recommending that if you keep the 25 percent, then the gold level be 35-percent partial abatement and platinum be 50 percent; keeping things in the right order. We make no judgment on whether 25 percent is the right level, but we think the ramping up should be stronger.

Finally, we address where there is no adoption of improvements to LEED in the bill until they have been in place for five years. We think that is going to handcuff the state and cause it to fall behind in achieving energy efficiency as the LEED provisions are improved over time. We can provide discussion on what possible things are forthcoming, but we think you should retain flexibility to make improvements. The improvements are just to make buildings greener, that is what we want to do and you should not handcuff yourself that way.

JOSEPH L. JOHNSON (Consultant, Toiyabe Chapter Sierra Club):

Our organization supports A.B. 621. This is a major step in what has been proposed to keep Nevada in the forefront of green building. We have worked with the group and support the comments and proposed changes as recorded in the handout.

DR. WIEL:

I would like to point out that two other organizations have joined with us, Western Resource Advocates and International Energy Conservation.

SENATOR CARLTON:

We are talking about tying a point system to the percentages of abatements, as far as the different points addressing the different portions of LEED. In other bills, we have had discussions of not just LEED, but substantially equivalent. How would we draw the line to make it equal as far as this point system goes, if one was working under a regime that was not LEED and still trying to qualify? How would we true that up?

DR. WIEL:

It is my understanding that if and/or equivalent is selected, it is selected by the NSOE. If that is true, they would be determining that equivalence.

SENATOR CARLTON:

It seems we are being very careful and specific with this legislation. I want to be able to give everyone the same level of guidance that we are doing here so that we do not have this free-for-all that appeared to happen in the past.

DR. WIEL:

The LEED documentation lists, based on the point system, the expected energy-efficiency improvement from energy efficiency of points. When we say two points, we can tell you what the average energy-efficiency savings are expected for a new building that satisfies that and separately for an existing building.

SENATOR CARLTON:

Would that be a percentage ratio? If my "R" factor is so much, I would save so much in a wall?

DR. WIEL:

It would be a percentage of the overall energy use in the building.

SENATOR CARLTON:

Overall energy use, not components.

DR. WIEL:

Of the building, that is my understanding.

MR. JOHNSON:

I believe, as opposed to A.B. No. 3 of the 22nd Special Session that allowed the equivalency in the rule making by the Office of Energy, the intent in this bill is to restrict to the LEED and the standards that are encompassed therein. Indeed, to be eligible, they would have to have been, as the bill said, in LEED regulation for five years. Our proposal is to reduce that to two years, so that the Legislature can have an overview and a chance to rule on the appropriateness of the inclusion. I think you are familiar with some of the controversial features that have come about in your revision. Most of the revisions are increases in efficiency. We would like the State to have the ability to respond to those increases in a shorter time frame than the proposed five years. The direct answer is that LEED is now the overriding rule that is proposed in this legislation.

SENATOR CARLTON:

In other legislation, we have the terms "substantial equivalent." We may not always work under the LEED. I have learned it is not what is in the bill in front of you that you have to check every comma, it is all the other bills that it may impact. The bills are not going to be in conflict, but when you put all the pieces of the puzzle together, I want to understand how this is all going to fit. If it is not LEED, are people still going to get the credit for energy efficiency? How are we going to determine those credits?

MR. JOHNSON:

This bill consolidates all the other proposals about abatements and LEED. I believe there will no longer exist in the statute, this "substantially equivalent to." That is a policy point for you to decide why you want the regulatory authority to become involved in this process. We have had thoughts about that.

DR. WIEL:

If there were still the equivalency requirement, and I have no idea whether there would be or would not, from a technical point of view, I still do not see it as a problem. You can compare any system to some baseline. For example, to what percentage of energy below the energy used by using the model building code. For each level, you could say this is 28-percent better than the building code and test another system the same way against the same baseline. I do not think it would be administratively difficult to determine the equivalency in terms of overall percentage savings in the building.

SENATOR CARLTON:

We did not think we would have a problem with A.B. No. 3 of the 22nd Special Session, so I am being overly cautious.

CHAIR TOWNSEND:

All questions should be answered. They should all be thoroughly vetted in this arena. The way this bill is drafted it would no longer, under section 2, subsection 2, allow you to do anything except LEED and its progeny. Unless the director tells me otherwise, that means that is the standard to which the office will hold everyone. The purpose of the language in A.B. No. 3 of the 22nd Special Session or its equivalent was because that was new at the time, and we did not know if LEED was the right choice. There are other standards out there. As it turns out, the public has made a decision on smoking known as Ballot Question 5 of the Nevada 2006 General Election, as a result, that was incorporated into its equivalent standard, which was using everything in LEED except for the secondhand-smoke component because the public had already made a determination on where you could and could not smoke. This removes that flexibility, unless I am reading this differently. Committee, the best way to review that component is to read section 2, subsection 2, and go to paragraphs (a), (b) and (c) and apply it directly.

Thank you for providing the LEED standard checklist ([Exhibit D](#)). Your recommendation is that a minimum of two points be provided which I would encourage, because I believe one of the goals is to stop the peak-power problem. If you add, and we will only take the two points in the bill, someone who received 31 points, but met the energy standard and received the 2 points, could they then get 33 and qualify for silver? Is that your understanding of what this bill says?

DR. WIEL:

Yes. Another way to say the same thing is you need 33 points total and at least 2 of those points have to be from energy.

CHAIR TOWNSEND:

That is a more specific way. If you go to the first page of the project checklist, under energy and atmosphere, the component two-thirds down the page where it says optimize energy performance; you get a point depending on where you are relatively in a building. Depending on how you do it, you can add a point. It

says one to ten points, that means at some point in here, if you were really good, you could get twelve points in that component.

DR. WIEL:
Ten points.

CHAIR TOWNSEND:
This says "optimize energy performance," and it gives points from one to ten. If you doubly optimize that, could you get an additional two points?

DR. WIEL:
I am not an expert on the LEED process, but my understanding is that of the total eligible points, you can get only ten of them from energy and you have to get the rest from other components.

CHAIR TOWNSEND:
Let me rephrase, I am talking about the energy part.

MR. DAVIS:
Under the points for energy efficiency, you can get up to ten points. At 10 points if you are building new, you would be 42-percent energy efficient above ASHRAE standards. That is the maximum points you can receive for energy efficiency. If it were possible to get to 20 points, you would be talking about a building that would be 84-percent energy efficient.

CHAIR TOWNSEND:
Was there any discussion or debate that instead of using the points to reward more energy efficiency, you would change the percentage in the bill?

MR. DAVIS:
There was a lot of discussion in working with Assemblywoman Kirkpatrick. What we were trying to figure out is the best way to determine that baseline for energy use; then figure out how we are going to determine at what level we are getting more energy efficient. Essentially, the decision we came to is the LEED system as it is set up now. It does baseline and the ASHRAE standard, which is a good standard, especially when compared to building codes in other states. It actually gives this kind of outline in terms of determining that energy efficiency was the best way to go.

DR. WIEL:

In our prior testimony, this is addressed.

CHAIR TOWNSEND:

Your third point recommends that section 3, subsection 3 be modified by 35-percent partial abatement for gold and 50 percent for platinum. This is spreading the band a little. If someone's sheet had 31 points, the NSOE would then determine if they got the final 2 points under energy efficiency. Is that how you see this working? Or would it be the LEED certification person who determines the points, but they did well on energy efficiency, therefore they get two more points for this, even though we cannot award it.

MR. JOHNSON:

The issue is not an additional two points for efficiency; it is a minimum qualification to enter into the program. You have to have the two points as credits on your schedule to be eligible. The 33 points is a minimum that must include 2 of those points.

CHAIR TOWNSEND:

Either I am not reading this right or it is not written correctly.

DR. WIEL:

Could be either way.

CHAIR TOWNSEND:

At least 2 points of the 33 points have to be on energy.

DR. WIEL:

That is correct. The LEED certifier would certify that the total is enough and that two of them are in the right category.

CHAIR TOWNSEND:

It does not say that on the checklist. It says, "must provide up to two points of additional credit for energy conservation."

DR. WIEL:

We support your recommended amendment to our checklist.

CHAIR TOWNSEND:

I am reading what is on the pages; we all are. I do not know their intent as yet, because we have not had a chance to describe it. Would you recommend your language that at least two points come from that section? This way you are not changing the 33 points. What this would say is that we are going to reallocate this to say, even though you can get one point as an optimum of energy performance, we want you to have at least three in order to qualify.

DR. WIEL:

I think that is correct. We want to say you need a certain total, and of that total a certain number has to be from the energy portion.

CHAIR TOWNSEND:

That is an excellent one. I do not know if we have anyone who is a LEED expert. We have been working with Pamela Vilkin the president of the Nevada Green Building Council which is the sponsor of LEED. We have been working with the president as the one who has the portfolio to help us better understand.

I think, in your notes, if in your discussions with the Assembly, you might want to give them a heads-up. I will have our counsel double check with Ms. Erdoes that if this is what they mean and they wrote it that way; then we have to have the policy debate. If they really meant what you are trying to accomplish, they did not write it that way. That is okay because they only had a couple of days to write it. You might want to make a note on this paper that you want to clear up that language as an important component of what you want to accomplish.

We will go on to the issue of moving the band from what the bill says to the 25-percent silver, gold is 30 percent and platinum is 35 percent. You are recommending the band be broadened without saying whether 25 percent as an entry level is the right level. You are just saying the band ought to be broader and the gold should go from 30 percent to 35 percent and platinum from 35 percent to 50 percent.

You are also recommending that the requirement for 2, 5 and 8 points would increase energy efficiency in a new building by 14, 24 and 35 percent. I think I know what you want, but that is under section 2, paragraph (c). You would say, "must provide at least two points of additional credit for energy conservation for LEED silver, five points for LEED gold and eight points for LEED

platinum." You are saying that inside of this, you would require they get at least three points for silver, at least five points for gold and at least eight points for platinum.

MR. JOHNSON:
That is correct.

DR. WIEL:
Except, two points for silver, five points for gold.

CHAIR TOWNSEND:
I am sorry, did I say three? I meant two. I am reading from your testimony. Two, five and eight points, and then you get a bigger abatement as you move up, because you have increased your energy efficiency so dramatically.

DR. WIEL:
Exactly.

ROBERT TRETIK, PH.D. (Business Development Officer, International Energy Conservation):

I would clarify the questions asked and a statement of Dr. Wiel. He spoke about you being able to achieve LEED silver without any energy. That is not quite so, because within LEED there are energy prerequisites and then optional credits. You must achieve the energy-efficiency prerequisite, but it is true that you do not have to hit any of the energy-efficiency optional credits.

On page 2 of our submission ([Exhibit E](#)), and you are familiar with the categories, we believe that water and energy efficiency are extremely important in Nevada. As the Chair has identified, peak power purchased on the spot market is the most expensive power you can purchase. That needs to be reduced. In a recent study, Las Vegas was named the driest city in the country. It is not a shock to anybody who lives there. Water efficiency is most important. It is a component of LEED, but it is not specially addressed as a priority.

The Southern Nevada Home Builders Association, in coming up with their own standard, has addressed water efficiency as well as energy efficiency. We believe the State, in passing out credits, needs to focus not just on the

non-water efficiency, non-electrical efficiency, but on the energy-efficiency portions.

Pamela Vilkin did testify yesterday from Las Vegas. I believe I can represent what she said, effectively, the LEED standard is a work in progress. It is in the process of evolving and within the next two years, the U.S. Green Building Council and LEED will be coming up with a specific set of standards for the southwest region of the United States and others. They are trying to do some of what we are suggesting we need to do here.

The unintended consequences of A.B. No. 3 of the 22nd Special Session apparently are having some seemingly overwhelming fiscal impact on county budgets, particularly in small counties' school districts. Megaprojects are also causing a lot of angst. That is one reason we suggested, and apparently incorporated in this bill, that an abatement of the school district portion of the property taxes be eliminated.

We are also suggesting that smaller county budgets need to have a different standard, a different graduated percentage of abatements if the projects are so large they would cause a substantial and adverse impact to those counties. We are suggesting, in an ongoing basis, that there be abatement on relatively larger projects and some tiered-level projects. There is an economic rationale for it.

We are suggesting that some of these megaprojects, and I will tell you that we do not represent or are not affiliated with any of the megaprojects, are coming out of the ground and creating a huge tax base that does not exist now. They are basically on "scraper-offer" properties that had a relatively low assessed value. By so doing, they are improving the area. They are exerting a coattail effect on neighboring properties which will also increase the tax base. Some of the anxiety has to do with taxes that do not exist right now. A concern I have heard over the last two weeks is what are the benefits to the public.

One of the most important things we want to make sure gets done is the effective date of any of these changes are on a forward ongoing basis and are not retroactive. We have been out in the marketplace, and frankly we have had a number of clients and perspective clients indicate they did not have confidence to move forward on trying to obtain the LEED certification in order to get the credits.

CHAIR TOWNSEND:

Can I stop you there? This bill is prospective only. The Assembly is dealing with retrospective this afternoon, and I am trying to concentrate on what is before us. I understand your concern, it is an important one and the Committee will take it up, but not right now.

DR. TRETIAK:

That is okay.

CHAIR TOWNSEND:

You have this proposal with regard to counties of less than and more than.

DR. TRETIAK:

YES.

Chair Townsend:

Would you like to get that on the record?

DR. TRETIAK:

Yes. Because of the fact, as I indicated, that I think a large project in a small county can decimate their budget. We believe a different standard of abatement needs to be potentially applied in some smaller counties.

CHAIR TOWNSEND:

I do not understand that. Are not they begging for projects to come in?

DR. TRETIAK:

I have had it expressed to me by people from smaller counties that they are concerned that if a large project comes in with the abatement on an existing project, not a new development, it could really slam them.

CHAIR TOWNSEND:

That is fair. Why did you pick 500,000 population?

DR. TRETIAK:

The old standard between small and large used to be 400,000, because Washoe County was under that. Washoe County at the next census will be over 400,000 population.

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CHAIR TOWNSEND:

I understand that, but that is why it is set that way. We do not change that, the census changes that.

DR. TRETIAK:

I understand. A lot of the legislation on the books is at 400,000 population, which differentiates Clark County from smaller counties.

CHAIR TOWNSEND:

You want to say, everyone but Clark County should have abatements based on the size and relation to the county budget.

DR. TRETIAK:

Correct.

CHAIR TOWNSEND:

In Clark County, you are talking about properties in excess of a \$100 million in assessed value. Is that land and building or just building?

DR. TRETIAK:

This was based on current law, which is land and building.

CHAIR TOWNSEND:

Could you name any of the projects that are less than \$100 million on the Las Vegas Strip? I do not know if the \$100 million is the right number, but you will have to make that determination. I think it is an important distinction you have made.

TERRY K. GRAVES (American Chemistry Council; World Jewelry Center):

There was a bill on the Assembly side that added Green Globe as a standard to the statute. The bill is heavily supported by builders, material suppliers and developers; however, it is still languishing in the Assembly Committee on Ways and Means. I am not going to propose at this eleventh hour that we debate Green Globe against LEED as there is enough trouble understanding how the LEED system is going to be used.

I think it is good policy that there are alternative standards and that the federal Department of Alternative Standards looked at those alternative standards. To the extent we do not have a tax-rebate issue at the public buildings part of this

bill, I think that the U.S. Department of Energy be given the latitude to try some different standards within the public building works. I agree with addressing Senator Carlton's concerns. I agree with Dr. Wiel that the NSOE has the capability to evaluate different standards and to prepare their effectiveness; that is one of their administrative functions.

CHAIR TOWNSEND:

Refresh my memory about when the hearings were held by the NSOE regarding adopting a different standard than LEED under the board's equivalent standard. It seemed it was the acting director at the time. It deteriorated into the debate about smoking. I stayed as long as I could. Did we debate Green Globe or any of the other possible standards? I do not remember hearing that, and I did not attend any of the workshops. Did you go to workshops where people kick around the ideas of what might be a good combination?

MR. GRAVES:

As I recall, there was not a direct discussion comparing the standards. I think there was a lot of off-record discussion between myself and the NSOE, and they were receptive. In recent conversations, I think they are still receptive to considering looking at other standards. To the extent, I do not represent Green Globe; I think the best standard would evolve out of developing a standard for Nevada. That standard would probably have subsection southern Nevada and subsection northern Nevada. There are obviously limited resources within the NSOE to administer one of those standards and do the ratings. That is why we are married into existing standards that have their own certification process.

CHAIR TOWNSEND:

That is one of the reasons this Committee along with others decided to go with "or equivalent," as opposed to just pick one standard. That has evolved somewhat, and your point about northern and southern Nevada is an important one because each one has their different needs. We cannot let that slip by; we will have to bring that up when we debate this.

RENNY ASHLEMAN (Southern Nevada Home Builders Association; City of Henderson):

I believe the presentation made this morning, headed by Dr. Wiel, on the ways to improve the bill are consistent with the discussion we had. Hopefully, I can offer drafts to your counsel this afternoon with a couple of approaches. This

refers back to ASHRAE as one of the two. I would also like to add to my draft that two points be picked up for water. That can be done without increasing costs by which points they direct themselves toward.

CHAIR TOWNSEND:

There is a case pending in front of the Public Utilities Commission of Nevada today. Currently, what is the percentage of the price of water in southern Nevada where the component is electricity?

MR. ASHLEMAN:

It is a very substantial number. It may be something approaching half.

CHAIR TOWNSEND:

It is important to remind our friends in southern Nevada, that this is one of the reasons this debate is important. They are going to continue to use water as we continue to grow. Encouraging people to be water conscious is an important component to this and your point is well taken.

MR. ASHLEMAN:

I expressed to the Assembly and to you that I still have concerns because we are referring to green building and systems that have come up within the last two years after the expiration of either five years or two years respectively and residential may creep back in on this language. The Assembly has asked Ms. Erdoes to look into that and I will also consult with you. I am offering a draft which we can bring to the Committee members this afternoon.

It seems to me that it would be good if we had some way an applicant could go to the director of the Department of Taxation. Also notify his respective local government that his was applying, and there be a method letting them know which projects were approved for their planning purposes, because we are talking significant money. I will draft something on that.

CHAIR TOWNSEND:

Your point is crucial to the debate on real property tax in this regard. Perhaps, the applicant could simply send a copy of the application to the office and their local government; maybe where they pull their permits or whatever would require the least amount of paperwork. It should not be necessary to fill out another form. The applicant should be able to copy what was sent to the NSOE.

MR. ASHLEMAN:

That is exactly what I am contemplating to keep it simple so the inspectors, who will have to have further training in LEED, can also check that the project is really happening. That should be good all the way around.

I have some studies giving the cost data which I provided the Committee, yesterday. We are doing more and I will have those tomorrow. In the iterations I am running, silver appears to be considerably over-rewarded, comparable to gold and platinum. In fact, silver could be readily lowered and still have a handsome return on the money. The net benefit after 10 years on silver, in one of my cost assumptions, the \$64,000 compared to the gold of \$51,000 at the same point in time, and the platinum of \$45,930 that is net, and we have already compensated for the additional cost of doing each in this particular run. You could readily lower silver and get your spread restored to a bigger spread and still have a handsome return on the investment in that area. I will bring more detailed tables to the next meeting.

CHAIR TOWNSEND:

Did you run those based on the fact that the bill contemplates taking out the value of the land as well as the DSA?

MR. ASHLEMAN:

Yes, I did.

CHAIR TOWNSEND:

Please provide those. Also make sure that the LEED point makers that your staff did can be provided, as well as the list of CIP-alternate LEED proposals.

You are contemplating on page 3, line 29, where the silver level would be less because you think it is more important that people reach higher.

MR. ASHLEMAN:

That would help, because it gives them incentive to do it, and it would not damage the desirability of silver for those who only want to go that far. I will give you the various iterations to demonstrate what that means financially.

CHAIR TOWNSEND:

Are those based on public buildings?

MR. ASHLEMAN:

Actually, the numbers I just gave you were the numbers that were testified to by the people from LEED on the cost numbers. I am going to do some showing the higher numbers, which are the public works ones to be sure we are being fair to people in case something is understated. It is safe to say that nobody is really certain in some of these areas.

CHAIR TOWNSEND:

The vice chair can e-mail Ms. Vilkin to testify either tomorrow or Friday, and have a more thorough discussion in that area.

MR. ASHLEMAN:

If the vice chair is interested, I would be happy to have him run our various studies, if he would like.

CHAIR TOWNSEND:

Straw-bale homes are fabulous. If you have never been to a straw-bale home, it is something you should do.

MR. ASHLEMAN:

Actually, being a Nebraska graduate, I have not only seen the straw bales, I have seen them made of grass and sod. They are interesting.

CHAIR TOWNSEND:

New Mexico has made an almost architectural institution component out of straw bales and mud. They are all important components. I think you are going see that evolve. One thing I saw before this session was employee housing in Truckee, California. Because of the ban at Lake Tahoe, people could not find places to live. These were townhouses that were modular. They are brought in by sections and assembled on site. These structures met the LEED base level.

MR. GRAVES:

Questions were raised about page 3, line 41. That section is there, in part, due to my client the World Jewelry Center in Las Vegas. The issue is that one of the abatements that can be awarded to a developer is in a redevelopment zone, and my client is near the railroad yard. The core and shell would also be an issue going forward. My client is not only involved in the World Jewelry Center, but intends to do other projects in Las Vegas and is interested in this bill.

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CHAIR TOWNSEND:

When does your client intend to come out of the ground?

MR. GRAVES:

They hope by spring or summer 2008.

ROBERT L. CROWELL (Boyd Gaming Corporation; Echelon Resorts):

Comments are going to be directed towards the changes made in property tax incentives on the going-forward basis.

CHAIR TOWNSEND:

Before we start, I am not sure all the Committee members have seen a scale model or a virtual tour so they know what we are talking about.

MR. GRAVES:

No, not yet. That is not publicly available.

SENATOR CARLTON:

I did get a chance to look. From the employees' standpoint, it is going to be nice.

CHAIR TOWNSEND:

Mr. Young, this may be our next hearing as this is going to get detailed as to property. I would like to have our administrative services person get a map of the Las Vegas Strip. A photo would be helpful so we can place these projects relative to their size and scope. It will help you talk about things that are important.

KEVIN J. SULLIVAN (Senior Vice President, Chief Administrative Officer, Echelon Resorts):

Our project is 10-million square feet. To our knowledge, other than the City Center project, there is no active green building under construction anywhere near the size, scope and complexity of our massive project. Of course, we are dwarfed by what the City Center is doing. Most projects are tiny in comparison, so for us to attempt this is a risky bet.

Right now, all of our internal studies say if we spend a lot of money, we can probably get and they tell me, 90-percent probability, is 30 points. We need 33 points and we have possibilities of several more points. At this time we do

not know how we are going to make those other points, but we going to have to figure it out.

CHAIR TOWNSEND:

What is the projection of your energy base load for your facility?

MR. SULLIVAN:

I understand we are looking for a 28-percent savings.

CHAIR TOWNSEND:

Do you know what is your base load? Are you going to be a three megawatt?

MR. SULLIVAN:

In terms of energy, we are 50 megawatts. The Stardust was eight megawatts.

CHAIR TOWNSEND:

You have 50 megawatts. Is that your base load or is that your peak load?

MR. SULLIVAN:

That is our average load. From experience, it would be about 70 percent of that, making it 35 megawatts.

CHAIR TOWNSEND:

You are saying 35 megawatts is your base load, and you can go as high as maybe 65 megawatts.

MR. SULLIVAN:

I am sorry, 35 megawatts is our minimum load. I have been told our average load is 50 megawatts and peak is higher at over 85 megawatts. Of course, that is if everybody is turning on the lights at the same time, everyone in the convention center turns on lights and everyone in the retail mall does everything simultaneously, which would never happen.

CHAIR TOWNSEND:

We have heard that before in this Committee, and sure enough, it does happen.

MR. SULLIVAN:

We are making a risky bet with the hope that we can get the payoff. The incentive currently available to developers, and I would like to bring a

developer's perspective to the proceedings, is there is the sales tax incentive, which we will park on the side as this bill only addresses the property tax benefit. Today, the property tax benefit is 35 percent. When you take the 3 changes in the financial incentive; they are, again, the land incentive is taken off, that is in our case 17 percent of the value of the land, 83 percent in the property tax benefit in improvements. So, 17 percent comes right off the table. We understand the schools are an important consideration and that removes 44 percent of the remaining benefit. The schools are 44 percent of the property taxes.

The third requested change in this bill is moving the silver benefit from 35 percent down to 25 percent. Now that is 25 percent of a much lower number. That is taking 28 percent of the remainder benefit. When you add it all up according to my calculations, and if the bill stays the way it is, 67.2 percent of the benefit is gone, making the 35 percent go all the way down to 11 percent.

I am going to say from a developer's perspective and I understand everybody's good intentions, with respect to the schools, I understand everybody's intentions on the land, the intentions on lowering the percentage from 35 percent to 25 percent. That now reduces it down to just 11.5-percent net benefit on property taxes. That is the remainder benefit. I think the calculations are simple.

CHAIR TOWNSEND:

Can you go through those again? Let us see, 17 percent is land, 44 percent is for DSA or the schools.

MR. SULLIVAN:

The reduction is 28 percent from 35 percent to 25 percent. When you look at it overall, that is 67.2 percent. What was 35 percent ends up at 11.5 percent. From a developer's perspective, even though there are good reasons offered to cut, the net benefit to a developer is 35 percent.

It is an important part of our testimony that we want to help out; we want to talk; we want to help figure out this problem. I would like to offer a few suggestions for consideration. We offered this to the Assembly yesterday, which is to extend the benefit. If the State wants to protect the schools, we understand lower the benefit, protect the schools, but think from the

developer's viewpoint, we are here for the long-run, let us extend the benefit in compensation, and let us double the time. Our suggestion for your consideration is to double the term. You reduced it by two-thirds already. Here is how to help the teeter-totter to come back a little bit, extend the benefit. The schools are protected during the whole term, if you do that. We would also suggest that we keep the 35 percent that keeps going down. I understand the schools, and that is fine. In the land there is an intellectual nexus, we would like to ask that the land stay in there. At a minimum keep the 35 percent for silver.

CHAIR TOWNSEND:

Before you get there, did you say extend it from 10 years to 20 years?

MR. SULLIVAN:

Yes, Sir. Everyone said as an unintended consequence, the schools are vulnerable now to their funding as well as affected by other things. From the developer that is in this for the long haul as my company is, and I am sure are most of the other people here today. Protect the schools, as an example, but still have a worthwhile incentive to go LEED. If we were approaching as a new developer, as we will be for expansions in the future, this benefit is simply not adequate anymore. Once it has been cut 3 times to only 11 percent; that is including, I assume, the sales tax benefit stays. It is simply not enough to make a bet when you do not know you are going to make it. Everyone talks about gold; on the megaprojects if you can get silver, it is going to be a big bet to get there. We are betting a lot of money to get to silver on the hope that we are going to get it in three years. An independent group, the Green Energy Council, is going to evaluate us and then we will see.

There is a three-year time limit currently in this bill. You have three years to apply and then to get it. For a large project such as ours, that is not good enough. We would not be constructed in three years. We request consideration be given to five years. Otherwise, we would have to wait two years to apply, and things change and people would ask why we have not applied. We would like to actually apply on a new project and then be in the pipeline visible to everyone, especially since everyone wants to know what is in the pipeline and not have to hold back an application on a future project.

CHAIR TOWNSEND:

I wish I could give you an explanation on where that came from, but I do not know. I think it is rational to say that when you apply, you apply. At that point

the certification comes once you get your certificate of occupancy, and either you made it or did not.

I am not sure the size or scope of your project has much to do with anything. I am willing to listen, but I do not know what it means. Where did ten percent come from? Things change in your industry so quickly. You build rooms for special entertainers then you tear them down. There is the restaurant of the moment and then it goes out and there is a new shoe store of the moment. Five years ago poker was dingy, quiet and you provided it as a courtesy. It was in the section of the property where you could not figure out what else to do. Now poker is in the most elaborate rooms you have with televisions running 24 hours on ESPN. We have to have a little flexibility to accommodate a dynamic market. I am not being pejorative; this is what was handed to us.

MR. SULLIVAN:

That was my next point. Our projects do change in five years. I think the record is clear that they normally get bigger. It would be a disincentive for a large developer on a long-term project to say we cannot build that extra part and employ more people during construction and when we open, because we are going to lose the LEED incentive. Honestly, it does not make sense to me.

As you did, we read the bill draft on the two energy points; they seem to have been bonus points. As a developer, in order to get LEED certified, you have to have prerequisites of certain energy levels, which is much higher than code and that is up to ten bonus points. I think you are hamstringing developers who, just to get a LEED, have to go up to a high standard. I would urge other developers who are looking at projects and trying to figure out how they are going to get their points, not to make them mandatory points. I thought the intention was bonus points. Make them 12 bonus points is how I read it. I urge you to consider not making them not necessarily mandatory. It is a lofty goal, but to get LEED you have to go up higher than code, anyway.

We have a small technical issue. Our central plant, which is being provided by a third party that won a national bid competition, is getting funding, but using the State taxing authority for tax-exempt bonds. That is not funding; they are paying a big fee to the State. Private investors will buy these bonds to do the central plant for the project. There is a clause in the bill that if you have any kind of State funding, you do not get this incentive. I am hoping it is clear that we were not inadvertently going to lose our LEED possibilities or others would,

if they simply use the State tax credit authority, but not funding. It is sort of a technical thing.

CHAIR TOWNSEND:

What is meant when you say your central facility?

MR. SULLIVAN:

Central plant. The central plant is where you heat and cool the water. It is a good-sized operation in our project. It is being provided by a private company that is owned by a utility. They have already applied, and the Department of Business and Industry is going to issue a tax authority and offer private investment bonds.

MICHAEL C. MATHIS (Vice President, General Counsel, Echelon Resorts):

Mr. Sullivan is referencing section 3, paragraph (a). That is the exclusion for funding that would kick you out of the program. That is the point he is attempting to clarify.

SENATOR CARLTON:

I did see the drawings and cardboard structure which were impressive. They are going to have a people mover from the parking garage to the center of the facility making it easier for people to get to work.

The ultimate goal is to save energy and build well. I know you have been doing all kinds of things to make this building an asset to you and the community. Energy-saving measures are not only going to help your bottom line, but the surrounding neighborhood by taking energy off the grid. What I would like to know is how much energy you have calculated that you will actually save and the impact on the community.

MR. SULLIVAN:

I cannot really say because we are still doing the studies. There are trade-offs we are looking at because we are about two-thirds done in design. A good example is the window glazing. The more expensive the window glazing, the better the efficiency factor. You have to start doing some trade-offs, and every time you want to run a study, it is \$10,000.

You look at one thing for color and change it, but then you look at the energy component after going through the esthetics. Now you look at different heating,

ventilation and air-conditioning systems. Obviously, the more expensive, the more energy efficient. We have huge volumes of air. We are not like a typical office building with a 9-foot ceiling; often we have 30-foot to 60-foot ceilings in the convention areas and some of the casino spaces. To move those things we have to get expensive equipment to start with, but then you have to go to the super-expensive equipment if you are trying to be more energy efficient.

Do you pay 15 percent more or 20 percent more for a 3-percent energy savings? We do the models bit by bit, and those are the active discussions we are having internally every day as we are nearing the end of our design. I think we are over 28 percent on heating and cooling. There are also separate things like the slot machines that are running full-out anyway.

SENATOR CARLTON:

Those are the types of numbers we should put into the matrix on this, because we know you are going to be saving money long into the future. The cost of energy is not going to go down. We want to incentivize you to invest that dollar, but how many times is that dollar going to tumble. I think that is what we need to put into the discussion is how much are we going to save.

MR. MATHIS:

Senator Carlton mentioned the people mover from our garage. I do not think that is quite part of our design. Although, like some of the design ideas I come up with, we will bring that back and I bet it will get some attention.

One attribute of A.B. 621 is a tiered approach in the long term of how the incentives have been established to correlate to the difficulty in achieving environmental and energy-efficient development. I know we are not here to discuss the retrospective application of this bill to projects like ours in the pipeline. I will say that to the extent that is a structure that starts with one set of incentives for the first projects, and tapers them down for the next generation of projects, with the eventual goal of eliminating the need for incentives, because green building will be the standard and it will justify itself in the operation of businesses, which I think is everyone's goal. I think that is the right way to structure it.

Through testimony at recent hearings, we have learned that in some areas the learning curve in maturation of a green-building market can take the cost of going to green to anywhere from four-percent incremental cost on your

construction materials to ten percent and eventually down to zero. Echelon's own experience very much follows the shape of that learning curve. We get smarter and smarter from project to project from developer to developer from contractor to contractor in our discussion and from within our own design.

I think for our next phase of development a tapered down set of incentives will make the numbers work because we will be able to buy it smarter, build and design it better and that matches our own experience.

In addition to the known cost of LEED from the developer's perspective, we are the ones who are taking this public policy and putting it into practice. You have to add the less tangible cost of creating a green-building market. Those costs are education of designers, contractors, vendors and suppliers.

Anecdotally, I was in a recent negotiation on an approximately \$100 million contract; one of our first contracts. This is a sophisticated southern Nevada contractor, which this spoke volumes about what this process would entail for us. I know other applicants have already been down this road. We had to educate them on what is LEED. We had to allay their concerns of the risk for procurement of green materials and the schedule impact. Unlike other markets, a day of delay and opening a development with our interest carrying our lost revenue cost. As you know, we took down the Stardust, which was a profitable building. All of those justify some of the measures you have taken to get us kick started. What we learn will be of benefit for our next phase of development, but all the applicants learn and educate the contractors. This will be of benefit for the next generation of projects. I think, eventually, we will get to the point where green is the standard and you will not need incentives.

CHAIR TOWNSEND:

Mr. Mathis' point is important, and I will reemphasize, these are actual figures on a program we put in place and that is the solar-generation program, which we incentivized through regulation of the Public Utilities Commission of Nevada at about the \$5 level. It was so over subscribed we have continued to drop that rate and it is now under \$3. That is a 40-percent drop in just a couple of years based on demand. Your point about educating people and having people design more projects correctly and build more as the materials become better evolved, I think you will see the price of things drop and the standards go up.

SENATOR SCHNEIDER:

As you mentioned, you are in the pipeline so you are okay. I think your lobbyist, Mr. Crowell, will tell you when the Legislature is in session, it does not mean you are okay if you are in the pipeline, because the pipeline can go away.

MR. CROWELL:

We are watching the pipeline carefully. We anticipate being able to offer comment on the whole package that is going to be coming around.

SENATOR SCHNEIDER:

Would your development stop if all the incentives went away?

MR. SULLIVAN:

The development will go forward no matter what, but we would not do LEED.

SENATOR SCHNEIDER:

So, you would not do energy efficiency at all?

MR. SULLIVAN:

Just in background we would do some energy efficiency. It is much more than just energy efficiency. Energy efficiency as part of LEED, in my estimate, is around 40 percent. There is water efficiency, recycled materials, worker health during construction and lots of moving parts. All of those increase our cost greatly for a hope for incentive when we signed up. It would not make economic sense if the incentives were not available.

SENATOR SCHNEIDER:

You would spend less money now, but you would risk that and spend more money in the future on energy because more in your pocket right now is more important than dollars in the future, even though you do not know what the energy cost will be in the future.

MR. SULLIVAN:

In order to get the 33 points for silver, we are doing a lot of things for the silver level. It is an important commitment to get all the way up there, and we are still trying to figure out how we are going to do it. But for the incentives, my company would not have tried to go to the silver level. We would try to always make an intelligent guess as to some energy-efficiency managers over the long term. Our company is the same company at the end that owned the building at

the beginning. We are in this for the long haul. We are driven by shareholder return and, obviously, doing right by the community. I will be very frank, the LEED program and the incentives are crucial for us to have approached like we did on an incremental basis.

SENATOR SCHNEIDER:

When your development is completed and built out, I have heard numbers that you will employ 10,000 people.

MR. SULLIVAN:

My own best guess right now is 8,000 to 8,500 people.

SENATOR SCHNEIDER:

That is why we are here, because we have a crunch in cash for the schools. Those 8,500 potential families could have 16,000 students in our schools. The chair was just in the Senate Committee on Finance and the question is how do we balance this. You are going to want to participate in providing schools and teachers for the students, and if we give it all away here, then how do we fund over there. That is what the chair is going to be looking at because he has to answer to the Finance Committee as they make the call for cash from somewhere. We have to balance it. Are you going to come with a proposal on how we balance this?

MR. MATHIS:

I appreciate your point and apologize if you mistook my comment about the pipeline meaning that we are not at the table to discuss fixing the problem. One thing I want to clarify is the suggestion of tweaking the property-abatement schedule in A.B. 621 that Mr. Sullivan had just discussed. It relates to our current project. That is a compromise or a reduction in the benefit that we are suggesting would apply to our project. I do not want anyone to mistake our position, as we believe we are through the door and we do not have to discuss these problems with you. We think they are real problems and we are here to resolve them with you. That said, I think Mr. Sullivan has done a review of some of the tax benefit that will accrue to some of those demands that come from our project.

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CHAIR TOWNSEND:

I am going to have to stop the hearing now as we were to have been out of here already. I can continue to take your testimony tomorrow morning. This meeting is adjourned at 10:54 a.m.

RESPECTFULLY SUBMITTED:

Laura Adler,
Committee Secretary

APPROVED BY:

Senator Randolph J. Townsend, Chair

DATE: _____