

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON GOVERNMENT AFFAIRS**

**Seventy-Fifth Session
April 2, 2009**

The Committee on Government Affairs was called to order by Chair Marilyn K. Kirkpatrick at 8:02 a.m. on Thursday, April 2, 2009, in Room 3143 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4406 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/75th2009/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblywoman Marilyn K. Kirkpatrick, Chair
Assemblyman David P. Bobzien, Vice Chair
Assemblyman Paul Aizley
Assemblyman Kelvin Atkinson
Assemblyman Chad Christensen
Assemblyman Jerry D. Claborn
Assemblyman Ed A. Goedhart
Assemblywoman April Mastroluca
Assemblyman Harvey J. Munford
Assemblywoman Peggy Pierce
Assemblyman James A. Settelmeyer
Assemblywoman Ellen B. Spiegel
Assemblyman Lynn D. Stewart
Assemblywoman Melissa Woodbury

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

Assemblywoman Kathryn A. McClain, Clark County Assembly
District No. 15
Assemblywoman Debbie Smith, Washoe County Assembly
District No. 30

STAFF MEMBERS PRESENT:

Scott McKenna, Committee Counsel
Susan Scholley, Committee Policy Analyst
Cyndie Carter, Committee Manager
Denise Sins, Committee Secretary
Olivia Lloyd, Committee Assistant

OTHERS PRESENT:

Michael E. Skaggs, Executive Director, Nevada Commission on
Economic Development
Daniel Markels, Public Policy Director, Western Region, National
Federation of Independent Business, San Carlos, California
Tim Tetz, Executive Director, Office of Veterans' Services, Reno, Nevada
Cecilia G. Colling, Chief of Staff, Office of the State Treasurer
Pilar Weiss, Political Director, Culinary Workers' Union Local 226,
Las Vegas, Nevada
Anne Loring, representing Washoe County School District, Reno, Nevada
Joyce Halderman, Associate Superintendent, Clark County School
District, Las Vegas, Nevada
Gail Tuzzolo, representing the AFL-CIO, Las Vegas, Nevada
Jay Thiel, President, Reno Downtown Improvement Association, and
General Manager, Sands Regency Hotel, Reno, Nevada
Steven T. Polikalas, Attorney at Law, representing Northern Nevada
Urban Development Company, LLC, Reno, Nevada
Alexis Miller, Legislative Relations Program Manager, Office of the
City Manager, City of Reno, Nevada
Jonathan D. Shipman, Deputy City Attorney, City of Reno, Nevada
Mark Lewis, Redevelopment Administrator, Redevelopment Agency,
City of Reno, Nevada
John W. Griffin, Attorney at Law, representing Cabela's, Reno, Nevada
Michael G. Alonso, Attorney at Law, representing Harrah's Entertainment
Corporation, Reno, Nevada
Marybel Batjer, Vice President, Public Policy and Communications,
Harrah's Entertainment Corporation, Las Vegas, Nevada

Alfredo T. Alonso, Attorney at Law, representing Nevada Land and Resource Company, LLC, Carson City, Nevada

Steve Van Gorp, Deputy Director, Office of Business Development, City of Las Vegas, Nevada

Robert F. Joiner, AICP, Government Affairs Manager, City of Sparks, Nevada

Armando Ornelas, City Planner, City of Sparks, Nevada

Randy Mellinger, Assistant City Manager, City of Sparks, Nevada

Dino DiCianno, Executive Director, Department of Taxation

Jack Mallory, Director of Government Affairs, International Union of Painters and Allied Trades, District Council 15, Local 159, Las Vegas, Nevada

Chair Kirkpatrick:

[Meeting called to order. Roll taken.] This morning we are going to take the bills out of order. Assembly Bill 422 is rather long so I want to take that testimony last.

We have a short presentation on the Nevada Commission on Economic Development by Michael Skaggs to illustrate how the process works.

Michael E. Skaggs, Executive Director, Nevada Commission on Economic Development:

After the last time I spoke with the Committee, I wanted to make sure that you have a fundamental understanding about renewable energy clusters. I have provided a handout for you ([Exhibit C](#)). It will guide you through the process we use to develop this renewables industry as a cluster, which is interrelated goods and services in a buyer-supplier relationship.

The most important factor in a cluster is the educational component. If our program trainers have to take disparate industries one after another and write training programs for their employees, that would consume a lot of time and resources. But with the renewables, where the base skills of the employees are similar, they can use a core curriculum and teach about 75 percent of that curriculum. The company would do the other 25 percent of the training. This would save a lot of time and money.

On page 2, you can see some of these steps. First is the development of a business climate which would attract a renewables cluster, providing an economic advantage for the community. Work began on this back in the 2005 Session and continued in the 2007 session.

Second, we need to recruit the foundation of the cluster: alternative energy producers. That is where the export of electricity takes place. We have put a lot of energy into our efforts to develop the renewable generators, whether they are geothermal, solar, or wind.

The third step is that the suppliers start aggregating. There has been a lot of talk regarding the energy bills, and manufacturing has become the main topic of those conversations. The key supplier base, renewable manufacturing, is more labor-intensive and also has a high-wage benefit. High-wage jobs are those that exceed the state's average wage of \$19.69 per hour, plus provide medical and retirement benefits. Those are the type of companies that we incentivize.

On page 2, the chart shows the number of renewable manufacturing leads that we are dealing with right now, trying to come to a successful conclusion on a location in Nevada. As you can see, in August and September of last year, we had no leads at all. Then we added six in October, two in November, and one in December. Then, within the next three months, there was a very rapid uptick in the number of manufacturers we were looking at, because this state is getting a reputation for being the center of the renewables market. It is the work we did locating the generators that started the whole chain of events.

Once the suppliers are located, the next step, which is the key to this whole industry, is to link Nevada's research and development with those new suppliers and alternative energy businesses. Manufacturers are always trying to improve on their products by making them cheaper and more efficient. Everyone wants to be able to produce power more cheaply. It is a continuous process, trying to develop more efficient renewable energy production. We take each of these companies and try to link them to other organizations that are doing related work.

Once we can get to that point, we can begin our own start-ups. We will have technologies developed to solve the energy problems in our state. We will actually form the companies in Nevada, grow them here, and manufacture their goods here. That is the apex of this whole cluster. When we can get to that point, we will have a regenerating economy of our own.

There are some cluster definitions on the next page for your perusal. You can also see the cluster map on page 4 showing renewable power generation, export industries, support industries, and specialized foundations. It is a supply and demand industry. As the renewable power generators come to the state, there will be a demand for the suppliers and then the manufacturers, which will bring about the demand for the research and development (R&D). This is how we intend to grow this entire industry.

On the last page, you can see that we are handling three different projects. These are not renewable manufacturers, but the same basic concepts apply. I just wanted you to see three real projects and what they look like when you run them through our incentive program.

On page 5, in the case of Jet Source in Clark County, you can see their initial investment of \$8 million, the number of jobs, and the prevailing wage in the state at that time. Property taxes are estimated for the first year to be \$81,000, personal property taxes at \$31,000, and tax abatements at \$15,000. Net revenue in new taxes for the first year was \$97,000, plus the additional sales tax of \$62,000.

One of the common mythologies that I have to deal with in my job is that we do not receive any revenue from these projects in the first year. That is just not true. We always incentivize a portion of taxes, not taxes period.

Chair Kirkpatrick:

Thank you, Mr. Skaggs. I think this is helpful to the entire Committee. I know that you and I have had many conversations about this, trying to find the balance. I appreciate the real numbers and real data.

Mr. Settelmeyer, we are going to open the hearing on Assembly Bill 331.

Assembly Bill 331: Provides for the appointment of a Business Ombudsman.
(BDR 18-1082)

Assemblyman Settelmeyer:

I want to thank you for the opportunity to present this bill on the Business Ombudsman. We are familiar with ombudsmen due to Mr. Denis' bill. I am a Region 9 Ombudsman for the Small Business Administration. Our goal on a federal level is to try to ensure that federal laws do not unfairly affect small businesses compared to larger businesses. This is an important issue because, in this economy, I think that small businesses are going to get us out of our current problems. Larger businesses are holding off, waiting for the economy to recover before they start to reinvest. We do see some small businesses attempting to start up programs.

This bill seeks to bring some of the programs from the national level to the state level. Businesses would be offered the ability to have a conduit, someone to talk to regarding public agencies, and the employees within those agencies as to how they are handling reviews of complaints by businesses. Each public agency would be covered. The Ombudsman would mainly deal with those employees who have enforcement activities. He would create a rating system

for public agencies, and the ratings would be brought back to the State Legislature and the Governor, so we would know which agencies seem to be helping businesses and which ones hurt them. Too often, we do not see much feedback from these agencies. Our constituents call us up, and we do not have anywhere to direct them.

Other states have established a Business Ombudsman. This is a model bill from the American Legislative Exchange Council. It does not have the exact language I would like to have. I would like to see a clause inserted that says we are dealing only with small businesses, those with 50 employees or less. That language did not make it into the text, and I do not have an amendment at this time.

Oregon, Pennsylvania, and North Carolina have created a Business Ombudsman. Many of them did it because their environmental protection laws were not adequate for small businesses. Oregon did it in 1990, after they realized a new workers' compensation law was having a detrimental effect on small businesses in relation to large ones. Large businesses could obtain workers' compensation coverage, but the small businesses were having a terrible time finding coverage.

Assemblywoman Spiegel:

How do you envision this being funded with money so tight right now? I know that the Ombudsman for Owners in Common-Interest Communities gets funding by a \$3 per door fee. Do you see small businesses being assessed a fee to pay for this?

Assemblyman Settlemeyer:

Funding is always the issue. If the bill gets out of this Committee, it will go to the Assembly Committee on Ways and Means in search of funding for projects such as this one. To me it is more of a question that if we do not do this, if we do not help encourage small businesses in this state, we will lose more money. Due to regulations and requirements being imposed, many small businesses are forced out. Funding will be a problem, but I fear what will occur if we do nothing.

Assemblywoman Spiegel:

As a small business owner, I appreciate that.

Chair Kirkpatrick:

Mr. Settlemeyer, I am glad you brought up that point. There comes a time when we have to look at the policy side of it and analyze whether it is worth the fiscal impact either way. You have to weigh the fiscal impact against the benefits that will be achieved by small businesses.

Assemblyman Settlemeyer:

As an esteemed colleague of ours said, cost-benefit analysis has to be applied to everything that we are doing, even though sometimes it is painful.

Chair Kirkpatrick:

Correct.

Assemblyman Settlemeyer:

I am glad you asked the question, because a fiscal note is problematic. You do have to look at both sides.

Chair Kirkpatrick:

Where would this position be located? Would it go within the Business and Industry Department? Do we need to narrow the language so that it specifies it is only for small businesses?

Assemblyman Settlemeyer:

I believe the language should be more specific to cater to small businesses. They are the ones that lack the ability to deal with some of the regulations. Large businesses have enough revenue sources to hire lawyers or to find alternate solutions. I would limit it to small businesses with 50 employees or fewer. If the bill is granted funding, the position would probably be either in the Department of Business and Industry or under the Governor's control.

Chair Kirkpatrick:

If the business portal proposed in Assembly Bill 146 is approved, that might be a great place for this person to be, to talk to companies when they come to the state. If we want to define small business, we can use the definition provided by the Small Business Administration.

Is there anyone else who would like to testify in support of A.B. 331?

Daniel Markels, Public Policy Director, Western Region, National Federation of Independent Business, San Carlos, California:

We represent approximately 1,300 small businesses in the State of Nevada. The average employee size of our companies ranges from six to eight people. We have some companies that are a lot bigger, but a lot of them are just mom-and-pop shops in all sorts of different industries throughout urban and rural Nevada. We are supporting this bill. Small businesses, as the Assemblyman noted, often do not have attorneys or in-house accountants, and are often overwhelmed by federal and state regulations. We feel this bill would provide means where they could go and get help.

Chair Kirkpatrick:

Does anyone have any questions? Is there anyone else who would like to testify in support of A.B. 331? Is there anyone in Las Vegas or Carson City who would like to testify in support, opposition or neutral to A.B. 331? [There were none.] Mr. Settelmeyer, do you have any last words? [Assemblyman Settelmeyer indicated no.] I will close the hearing on A.B. 331. We are going to wait a minute for Ms. McClain to come up and present Assembly Bill 459. We will stand at ease until she arrives.

**Assembly Bill 459: Provides for the safekeeping of certain abandoned property.
(BDR 37-124)**

Assemblywoman Kathryn A. McClain, Clark County Assembly District No. 15:

I am glad to be here this morning on A.B. 459. With me is Tim Tetz, the Executive Director of the Office of Veterans' Services. Assembly Bill 459 allows the Office of Veterans' Services to take ownership of military artifacts. We have to do this to protect these important items. A museum was trashed, and the people who owned the building called Tim Tetz and asked what to do with the remaining artifacts. He was not sure if his office could take ownership or not. An Attorney General's opinion was sought, and we found out it was probably okay to take ownership of the artifacts.

Since that time, the artifacts have been inventoried and catalogued. Press releases were put out to attempt to find the artifacts' owners to see if they wanted them back or what they wanted us to do with them. Right now, the materials are stored securely in a warehouse. We just want to make sure that it says in the *Nevada Revised Statutes* (NRS) that we can legally take ownership of these artifacts in the hope that one day we will have a real Veterans' Museum we can deed to the federal government.

That is the genesis of this bill, and it is a short one. It gives the Veterans' Service the authority to take possession of these abandoned artifacts for safekeeping. Tim, did you want to add something?

Tim Tetz, Executive Director, Office of Veterans' Services, Reno, Nevada:

We stand in support of A.B. 459 and urge its passage. I was reminded recently about John Nulty, a famous veteran in Nevada. When he passed away in 2001, his daughter came to us because he had thousands and thousands of pictures, as he was the official photographer for the State of Nevada for many years. He took the formal portraits and photography for the Governor, from Governor Russell all the way up to Governor Miller.

What we did not know was that John Nulty was also the personal photographer for General MacArthur. In March of 1942 when MacArthur abandoned the Philippines and said "by the grace of God and with a few Marines I shall return," John Nulty was with him. When General MacArthur went back in October of 1944, John Nulty was there. He told me a story years ago, "Tim, we practiced that landing time and time again so we could get the light just right, the flag just right, the ships and the waves just right, to get those pictures."

Those pictures were in his personal effects and would be a wonderful part of history for us to have in a Veterans' Museum. This bill allows us to do that. It allows us to find those artifacts of historical worth and value so that when a Veterans' Museum is established, it will have not only the utmost personalization for veterans but also for Nevada heroes in our midst.

Chair Kirkpatrick:

Does anyone have any questions? [There were none.] Now that we have everything catalogued and inventoried, will it just stay packed away?

Assemblywoman McClain:

Yes, unless we have some owners of interest who want to see if their possessions are still there. It would then be up to them to take their items or leave them for donation to a potential Veterans' Museum.

Chair Kirkpatrick:

Is there any way that we can create a traveling exhibit suitcase for use by local schools and youth groups? We do that in Girl Scouts for Science and Math, but I think it would be huge to send it to the high schools. What would it take to do something like that with the artifacts?

Tim Tetz:

Many of the items that we recovered in that collection are in Portable on Demand (POD) storage and very carefully stored. When someone comes to us and says they want to get item X, Y, or Z back, we can look at our photographs and our digital records and tell them whether we have it or not. Unfortunately, in many cases, we do not have a lot of the items people said they have there.

The ability to have a traveling suitcase is certainly something this bill allows. Ultimately we are responsible for the artifacts. If it is an unclaimed item or items, and someone comes back for it years later saying it belongs to them, we will have to figure out a way to determine if that item truly was theirs and attempt to return it to its rightful owner. The more opportunities we have to educate with the use of these military artifacts, the better off our country will be.

Chair Kirkpatrick:

It would be a great way to learn a bit of history for some of our youth groups such as Boy Scouts and Girl Scouts.

Assemblyman Stewart:

I commend the Assemblywoman for this great bill.

When the new Nevada State Museum building in Las Vegas is finished, is there any chance of using the old museum building at Lorenzi Park for a Veterans' Museum?

Assemblywoman McClain:

That was my bill last session. Unfortunately, there was a lot of dispute as to what it would cost, and the bill was killed in the eleventh hour. I would like to see a real Veterans' Museum. The perfect place is where we are building the new veterans hospital. I have talked to the Department of Veterans Affairs Administration and they are all for it, but as everything is based on money, nothing has occurred. Just give me four acres in a corner, and I will find the money.

Assemblywoman Spiegel:

I also think this is a great bill. From time to time we hear really sad stories in the news about military people who are off on deployments and lose their homes to foreclosure and other issues. Are their medals or other military artifacts considered abandoned, and would you then be able to acquire them for safekeeping?

Tim Tetz:

As I understand the abandoned property bill, there is a long timeline involved. Items would be listed, and the Treasurer's Office would attempt to find the owners. It is not our intention to take personal belongings that have personal value to the people here, but there are times when people do not feel their artifacts are that valuable or simply want to donate them for safekeeping. We will have to take advantage of those types of situations.

Chair Kirkpatrick:

Does anyone else have anything? Is there anyone else in support of A.B. 459?

Cecilia G. Colling, Chief of Staff, Office of the State Treasurer:

We have reviewed the bill and had discussions with Veterans' Services, and we feel it is not going to have a significant impact on the unclaimed property program. Given the fact that they accept the responsibility for the safekeeping of the documents, we are in favor of the bill.

Chair Kirkpatrick:

Could you enlighten us, regarding Ms. Spiegel's question, on how long it takes for an item to go through the process?

Cecilia Colling:

We would hold it for two years and at the end of that time, if we were unable to contact the owner, then it would transfer.

Chair Kirkpatrick:

Is there anyone else who would like to testify in support of or in opposition to A.B. 459? [None.] Is there anyone who would like to testify in neutral for A.B. 459? [None.] Is there anyone in Las Vegas who would like to testify on A.B. 459? [None.] I will close the hearing on A.B. 459.

ASSEMBLYMAN STEWART MOVED TO DO PASS
ASSEMBLY BILL 459.

ASSEMBLYWOMAN SPIEGEL SECONDED THE MOTION.

THE MOTION PASSED. (ASSEMBLYMEN CHRISTENSEN AND
MUNFORD WERE ABSENT FOR THE VOTE.)

[Chair Kirkpatrick stepped out. Vice Chair Bobzien assumed the Chair.]

Vice Chair Bobzien:

I would like to open the hearing on Assembly Bill 422.

Assembly Bill 422: Makes various changes regarding the financing of local improvements with revenue pledged from sales and use taxes.
(BDR 21-54)

[Chair Kirkpatrick returned. There was a one-minute recess.]

Assemblywoman Debbie Smith, Washoe County Assembly District No. 30:

This is a discussion about Sales Tax Anticipated Revenue (STAR) bonds. Let me first say that we have been working on this bill for many months. It is a very complicated issue and a bit of a moving target. We have worked with many of the groups involved and with the local governments in an attempt to work out some of the detailed language. We are still working on that.

Today, I would like to talk about some of the concepts we have for reviewing and tightening up this piece of legislation. As I walk you through the bill, I will

indicate some of the concepts we have, and then we will hear testimony regarding ideas other people have on how to fix this bill.

Chair Kirkpatrick:

For the benefit of the Committee members who were not on this Committee last time, could you talk about the history of this bill?

Assemblywoman Smith:

I will. I just wanted the Committee members to know that this is a work in progress, even though we have been working on it for months and months.

Senate Bill No. 306 of the 73rd Session gave us the concept of STAR bonds. STAR stands for Sales Tax Anticipated Revenue. These STAR bond districts are in tourism improvement districts (TIDs) and were authorized in 2005. They are like redevelopment districts in that they are designed to facilitate public and private partnerships and increase tourism to generate new sources of sales tax revenue.

The specific form of financing in this bill is STAR bonds. There has been a lot of press and a lot of discussion, especially in the last couple of months, about the use of STAR bonds, and I think we are probably under the microscope because of the economic situation.

I would like the Committee to know that this bill was submitted a long time ago, long before we had any inkling that our budget situation was going to suffer the way it has. The bill was submitted to make sure we are using these public/private partnerships in the best way possible. We must ensure accountability and transparency and that we are truly getting the most bang for our buck.

Under the provisions of *Nevada Revised Statutes* (NRS) Chapters 271 and 271A, a local government may create a tourism improvement district if it finds a preponderance of the sales tax revenue in the district is coming from out-of-state tourists. That is an important piece of this legislation, "preponderance" meaning more than 50 percent. Within the tourism district, the local government can pledge up to 75 percent of the sales tax revenue from the projects in the district to repay the bonds sold and to finance the projects and infrastructure within the district.

We currently have two tourism improvement districts in Washoe County, Cabela's in Reno and the Legends in Sparks. You have seen the excitement over both of those developments. Certainly, in the outdoors and sporting world, there is a lot of enthusiasm because there is no other Cabela's anywhere near

us, nor another store like Scheels, which is in the Legends, and it is purported to be the largest sporting goods store in the world.

Like any new concept, STAR bonds have had their growing pains, and we have learned from these two projects. I think even those who have been involved in those projects and believe in this concept will tell you that some things need to be fixed. Assembly Bill 422 is needed to address some of those problems and to make the process better for everyone. I constantly remind everyone that these are taxpayer dollars that are being spent to finance the projects. They do have to meet a different test than private development.

I know this bill will need some amendments and I hope the testimony you hear today, along with the previous discussions that we have had will generate constructive suggestions to improve the language. I will go through the bill and give you an idea of the issues that have come up and how the bill would address them.

Section 1 eliminates the Local School Support Tax (LSST) of 2.25 percent from what is being pledged to repay STAR bonds in the TIDs. That would take place after the effective date of this bill so the two projects that are already up and running can be completed.

We always struggle to adequately fund our K-12 education system, and it did not make sense to us that we would continue giving up the LSST. It is important to note the way the K-12 funding system works in our state. If the LSST comes in lower than what we budget, the State General Fund makes up the difference. Therefore, the General Fund can be impacted by a project like this. That leaves the state's 2 percent sales tax, for a total of the 4.25 percent of sales tax that can be pledged, so they are still getting 75 percent of the 4.25 percent of sales tax, which generates a lot of money over a long period of time. It is still a substantial investment for the taxpayers and the developers.

Section 3, subsection 1 on page 4 requires an independent review of claims submitted by the developers to the local government for reimbursement. That ensures that someone is analyzing the bill that the taxpayers pay. Some of these items were developed in cooperation with the local governments, who have already been working on these projects, because they have found items that they feel would make their work on these projects more successful. We do have some recommendations for cleaner language in that area.

Section 3, subsection 2 clarifies that STAR bonds cannot be used to pay for certain soft costs of the projects. This requires the developer to pay some of these costs because their investment in the project is important.

This section also addresses the "Target situation" by prohibiting sales tax revenue from an existing business that relocates into a TID from being used to pay STAR bonds. We had a Target store in one of our cities that closed and moved a few blocks away into the TID. That meant the loss of 100 percent of sales tax revenue from the first store, and then we lost 75 percent of the revenue when it relocated into the TID. That amount of money has been used to repay the STAR bonds. That is a classic example of how the General Fund is impacted.

We looked at the State of Kansas, which was presented as a model when we passed this legislation in 2005. In Kansas, they have gone through many of the things we have and have reconstructed their STAR bonds language in many ways. They put a 50-mile radius in their language, so you cannot relocate a store within 50 miles. This bill requires that you cannot relocate it within the municipality, which makes good sense.

Section 4 on page 5 is intended to prevent bid shopping. This language requires a public bidding process. I am talking with everyone now to get some consensus on this issue. The problem we have had on the two existing projects is that a lot of contractors came in from out of state, causing the local contractors to complain to me that they felt they were bid-shopped, meaning that they gave the developer their best bid, and then the developer took it out of state to a contractor of their choice. This issue was raised by many of the contractors in our area, and they would like to see something done to try to stop that bid shopping.

Section 5 on page 6 requires annual reporting so that the local government and the Legislature can monitor whether STAR bonds are working, whether projects are utilizing the new tourists' out-of-state sales tax revenue, and whether new jobs are being created.

Currently, the two projects, Cabela's and the Legends, which is anchored by Scheels, will not provide information regarding where their customers are coming from, so it is impossible for us to tell if preponderance was met. In November, because both projects were open, up and running, we had asked for a report from the Interim Finance Committee on their preponderance issues, and Scheels brought us a spot check that they conducted over a one-week period to determine where their visitors came from; we did appreciate that effort. What

the study requires is that 50 percent of the revenue must come from out-of-state visitors. We have not received that information.

There needs to be some accountability to see whether or not this is working. Granted, when you have bonds out on the market, you cannot do any kind of clawback, where you take the money back. I think it is imperative that we policy makers and the taxpayers know if these newly created financing opportunities are working. We know that several new projects are coming up, both in the north and in the south, and if we do not require accountability, how do the people in the approvals process know whether we should keep forging ahead with these projects?

We are working with all of the people involved to come up with a reporting system. One thing to remember is that the sales tax revenue is a confidential item when it is reported. We have suggested that you could report on a confidential basis. They would have to collect the data regarding where their shoppers come from, including zip codes, but they could report that on a confidential basis. Our staff currently has access to that confidential information and they could report to the Legislature whether or not preponderance was met.

There are a lot of technicalities involved in how that reporting might take place. I understand the proprietary nature of the business and that these businesses do not want their competitors to know where they market; therefore they do not want everyone in the world to know where their visitors are coming from.

These projects are very different from one another. For example, compare the two we currently have: Cabela's, which is very neat and tidy, and the Legends project, which has multiple businesses and is always in flux as businesses come and go in the projections. The question of how to collect their data is troublesome in that if you have a very small business, say a Jamba Juice that sells smoothies, it is hard to imagine that you are going to be able to get a zip code out of every person who walks through the door. But if you have a Scheels that is generating the bulk of the sales tax revenue for that project, it makes sense that one of your major concerns would be where you collect your data.

We are working on some percentages, and maybe looking at whether you can take the businesses that collect 50 percent of the sales tax revenue from out-of-state visitors and require them to report. That type of idea makes sense to me.

With this issue, one of the things we have to be concerned about is displacement. In other words, are the benefits of the new revenue and jobs in the TID being offset by any losses and loss of patronage and jobs from existing businesses? We have heard a lot about this. The idea is not that you are displacing other businesses, but are bringing in out-of-state shoppers and visitors to the entertainment portion of a district and generating new business. It is important to make sure that we are not taking business away to the degree that we are losing revenue, and also eliminating jobs, from an established business so that we can have this taxpayer-supported business in another part of town.

I have heard from many businesses, both large and small, that are concerned about their investment in the community. They have put their business in, and it has been offset by taxpayer-supported development across town. There is a lot of sensitivity on that issue.

Section 7 on page 10 requires the Nevada Commission on Tourism (NCOT) to conduct a second independent study before it makes a finding that a preponderance of the sales taxes will come from out-of-state tourists. This is another issue we are working on. Currently, a study that examines the preponderance is conducted at the beginning of the process. We have to figure out, if we had two studies done, and they were quite different, how those results would be viewed, and where does that take the developer and the municipality in the approvals process. We are still discussing that question and the most effective way to conduct that study.

There is a concern that the independent study or the study conducted by the municipality might not be entirely free of bias. We are open to discussions on that to ensure we have an objective process.

Section 9 on page 13 makes it crystal clear that prevailing wages must be paid on projects built with STAR bonds and that the Labor Commissioner is responsible for enforcing prevailing wage provisions on STAR bonds projects. In the previous legislation, and certainly in the hearings that took place, it was very clear that prevailing wage would be paid on the STAR bonds projects, and it has. The problem is the enforcement piece of it. That was not made clear in the statute. It is a perfect example of what happens in legislation that is very complex and new. Whenever you have this kind of situation, you are going to find issues that need to be fixed because someone did not think about them when the legislation was crafted. We need clarification and to authorize enforcement. Earlier this week, there was testimony about prevailing wage enforcement problems on one of the projects, and this would take care of that situation. The Legends project in the City of Sparks handled it through their

development agreement, and hired a third-party group to do the enforcement and take care of the claims. That worked very well. We need to make sure this is covered in our enforcement process through the Labor Commissioner's Office.

This is a serious piece of legislation. I have never worked on any bill that drew so much feedback from constituents. Many individuals and businesses have contacted me regarding this legislation, and are very interested in seeing the accountability, transparency, and adjustments that need to be made on this bill.

Chair Kirkpatrick:

Ms. Smith, just so it is clear for the record, the bill draft request (BDR) for this bill was submitted February 26, 2008, so it was long before anyone was pointing fingers and looking at a budget shortfall. I think that you and I learned a lot after working on Assembly Bill No. 621 of the 74th Session. It was a long process with unintended consequences.

Assemblywoman Smith:

You are right. The lessons that we learned in working on that legislation last session brought home the need to ensure we have great policy in place anytime we are using taxpayer dollars. This is one of the obvious areas needing refinement because it was new. Anytime you have a new opportunity like this, it is bound to need some fixing.

I will get for each of the Committee members a list from Kansas that describes what they have changed in their STAR bonds legislation. It is very interesting and much more extreme than what we are doing.

Assemblywoman Pierce:

Does anything happen if it becomes clear that 50 percent of the revenue is not from tourism?

Assemblywoman Smith:

No. It is a very difficult process to attempt to have any clawback on this because you have bonds that have been sold based on the commitment of this revenue. It really puts everyone in jeopardy if you try to take some of that money back. That is why the process is so important. We must have a process that is clear for local government. This is legislation that enables a local government to develop this process. And it is really the local elected officials who have the responsibility to make those decisions. It is a long and very thorough process that goes through local government, the NCOT, and the Governor's Office.

Chair Kirkpatrick:

That is the whole purpose of the preponderance studies and data collection. If we can see that the first project did not necessarily bring in the anticipated revenue, then the others in the surrounding area are not going to do it either. Without the data, the desired information cannot be recorded and the preponderance cannot be gauged. It is one of the most important pieces.

Assemblywoman Smith:

You are absolutely right, Madam Chair. I have had a number of people say to me, "If you do not have a clawback, then why do you care about having the data and knowing you met preponderance?" I have responded, "Because, it will help in future decision making." It will help this Legislature in subsequent reviews, because this is complex stuff that involves the commitment of a lot of taxpayer dollars. The data that we get back and the transparency of the action are critical.

Assemblyman Aizley:

Are you confident that you have a good method of determining the preponderance? It seems as if it would be an enormous problem determining where that revenue is coming from.

Assemblywoman Smith:

That is the significance of the independent study and why we are spending a lot of time making sure that, whether we conduct two different studies or commission a joint independent study, we achieve a result that will be accurate. We see many studies in this environment that have been commissioned to return specific results. That is why the independent nature of the study is critical.

Assemblywoman Spiegel:

Has there been any discussion about counting in-state people who come from a significant distance? For instance, if I went to Sparks from Henderson, it would be as a tourist and would be a greater distance than if I came from Sacramento.

Assemblywoman Smith:

We did talk about that at length. I had been commenting that if I came from Elko, it would be similar to someone coming from Salt Lake City. You have to be very careful about incentivizing any kind of poaching from one local government to another. I did consider that if you looked at northern Nevada versus southern Nevada, you would see a pretty extreme difference. It seemed the only way to keep the process clean was to look at purely out-of-state visitors who are bringing brand new revenue to this state.

Assemblywoman Mastroluca:

Ms. Smith, do you have any concerns that after the next census it looks as if Washoe would not fall underneath the population cap?

Assemblywoman Smith:

The caps are always adjusted after the census. After the census, you will see one big bill that changes every provision, and anything you do not want to change you have to physically craft a new bill to keep it the same.

Assemblywoman Mastroluca:

In the original bill in 2005, was there ever talk of a sunset clause?

Assemblywoman Smith:

No.

Chair Kirkpatrick:

There is a sunset provision in the bill that speaks of redevelopment and tourism improvement districts being used together. That expires in October 2009, regardless.

There are only three or four entities in the country that allow STAR bonds. Kansas made some significant changes. Nashville was very successful with their STAR bonds program. They have the Grand Ole Opry, all the honky-tonks, and a medical facility. They had a lot of people come during the day and at night they drew a lot of tourists.

When I was a freshman, the talk was to draw people into our state and to keep them coming. Originally, it was just for northern Nevada because they were trying to build up their tourist trade, but at the end, Clark County was included. There was a lot of discussion. We talked about flood projects and all kinds of issues.

Assemblyman Stewart:

Are there not a number of California zip codes that automatically do business here that should be exempt from the data?

Assemblywoman Smith:

You are right. The people who live in Truckee, for example, probably come here to do their shopping anyway. The concept is, if someone who lives in Truckee, and who does not always come down to Reno and Sparks, decides to come to Cabela's and Scheels and in the same trip stop and have dinner, or they decide to spend the night, or they go to a show, you would be attracting those people

to spend money in this region when they normally would not have. It would be very difficult to sort out.

Chair Kirkpatrick:

We have struggled trying to find the right mechanism without violating commerce laws and constitutional confidentiality. I hope Mr. DiCianno will testify later today because we went around and around on what was the best way to track this information.

Assemblyman Aizley:

I still want to solve the problem. Have you discussed just taking a percentage of the sales tax without analyzing where it came from? You could take 25 or 30 percent and just use it.

Assemblywoman Smith:

I am not sure what you mean.

Assemblyman Aizley:

You are trying to analyze where the money is coming from. You have a figure on the total sales tax generated in these stores. Why not just take a percentage off of that total?

Assemblywoman Smith:

We do. They pledge 75 percent of their sales tax revenue toward repayment of the bonds. We keep 25 percent of it. This bill would then extract the LSST piece of it.

Assemblyman Aizley:

I guess what I am suggesting is to take out the condition that so much has to come from out-of-state visitors and just take a percentage. It would simplify the problem.

Assemblywoman Smith:

The whole concept of this very creative but very complicated mechanism is that you are attracting new visitors from out of state. That is the whole concept of STAR bonds. The idea is that if we had not done this, vacant lots would still be where Cabela's and Scheels are now. It really is important that you have these out-of-state visitors, because if you do not, then you are looking at impacting other current, local businesses. The out-of-state visitor component is very critical. I get the value of what we are trying to accomplish here. Expanding our visitor count to our regions is very important. We have seen some good things. We have to make sure we are doing right by the taxpayer; that is the

bottom line. I think the concept is very understandable. It is a new idea and it is very complicated.

Assemblywoman Spiegel:

Is someone testifying later who can explain more about the impact of taking out the money for schools and what that means to the 75 percent?

Assemblywoman Smith:

I have no doubt you will hear from both sides of that equation.

Chair Kirkpatrick:

Is there anyone here who would like to testify in support of A.B. 422? I want to know if you like the bill the way it is. Ms. Weiss, Ms. Loring, and Ms. Halderman, will you please come up?

Pilar Weiss, Political Director, Culinary Workers' Union Local 226, Las Vegas, Nevada:

The Culinary Union is in support of the bill as written, but I wanted to comment on a couple of items for possible strengthening of the bill.

There has been a lot of discussion about the projects that already exist under tourism improvement and STAR bonds in the north. In the south, we are also having a fairly vigorous debate about the use of this funding mechanism within the City of Las Vegas. I know that the Chairwoman said there is a sunset regarding having to go through the redevelopment agency funds for a tourism improvement district.

I think that there are two issues to consider. We are interested in making sure (1) the criteria for how these are applied is considered, and (2) that accountability is demonstrated at all times. One of the questions we are seeing in the Las Vegas discussion of tourism improvement districts is whether we are truly meeting the spirit of a public/private partnership or if we are only providing subsidies for projects that were already going to go forward.

In Las Vegas, an owner has purchased a project that already existed, and now we are considering giving him subsidies. They are already diverting property taxes because they are in a redevelopment area, and we are now considering giving them STAR bonds, which would divert the sales tax. They have also received direct subsidies from the City of Las Vegas.

As you craft these amendments, look at how we apply these projects and whether we are giving STAR bonds and creative financing to projects that were already going to go forward, or if we are meeting the true spirit and intent,

which is trying to bring in new businesses and establish genuine public/private partnerships.

As you look at the accountability factor, the City of Las Vegas' discussions are also instructive in general applied accounting principles (GAPS), where we are looking at data to justify the current tourism improvement district proposal that is wildly out of date, based on the current economic conditions. We can learn by doing vigorous, independent auditing of the numbers to determine if they are applicable and true.

We support the intent of the bill, which is to stop undue diversion of taxes that should be going to education and public service.

Anne Loring, representing Washoe County School District, Reno, Nevada:

When the STAR bond legislation was first brought forward in 2005, the school district was in opposition because of concerns of possible impact on funding for education, particularly on the LSST. Even though we recognized at the time that the state would make us whole under the Nevada Plan, we still were concerned about the "what ifs."

At that time, we worked with the sponsors and reached a compromise that included the Governor having to review the impact on education. Who could have foreseen the fiscal problems that have developed since then, and their significant effect on education?

We appreciate everyone who recognized the impact even before the fiscal crisis hit, and we are in support of this legislation.

Joyce Halderman, Associate Superintendent, Clark County School District, Las Vegas, Nevada:

I would like to thank Ms. Smith and the other sponsors for bringing this bill forward. It is one in a series of bills designed to help protect the funding that should go to K-12 education throughout the state.

An organization that ranks education funding in Nevada put us at 45th in the nation; some put us as low as 49th. Even in the best of years, funding for education is woefully inadequate. When we consider the fiscal crisis we are in, it becomes very difficult to make additional budget cuts with inadequate funding.

We look at this bill as one that could prevent future tax abatements from adversely affecting education funding.

Gail Tuzzolo, representing the AFL-CIO, Las Vegas, Nevada:

We understand that new business opportunities mean new jobs for Nevadans. We think the transparencies in the bill are very important to the process and to protect taxpayers' monies.

If we had a resolution, we could say that this was Prevailing Wage Awareness Week. Of course, we will continue to work with the Committee on the prevailing wage enforcement.

Chair Kirkpatrick:

Does anyone else want to testify in support of A.B. 422 as written? [There were none.] Is there anyone in opposition to A.B. 422? I have Jay Theil, and Steve Polikalas who would like to testify in opposition.

Jay Theil, President, Reno Downtown Improvement Association, and General Manager, Sands Regency Hotel, Reno, Nevada:

I am here to register the association's opposition to this bill as written. We have had several projects funded by STAR bonds that have been beneficial to downtown Reno, and we have several more waiting in the wings. We feel that STAR bonds are a very important part of Reno's downtown redevelopment, and we do not want to lose the momentum.

Chair Kirkpatrick:

How do you justify, say, five or six STAR bond projects in the downtown area that are visited by tourists who came and stayed at the Sands Regency and then went to every single casino? How is that justified?

Jay Theil:

I think you said it correctly to begin with; it is very difficult to justify. You cannot really track a tourist's footprint through a downtown area. You have to look at the preponderance of tourism, and generating more tourism in general, to visit the spots built with STAR bonds. We need to continue the downtown synergy started by the construction of the baseball stadium to draw more tourists into Reno's downtown area.

Steven T. Polikalas, Attorney at Law, representing Northern Nevada Urban Development Company, LLC, Reno, Nevada:

I have provided an aerial photo map that depicts our project area ([Exhibit D](#)) in downtown Reno. You can see from the map that the project area's western border is across the street from the historic gaming quarter, which has the bulk of the hotel room and gaming properties in the downtown area. To the north is Interstate 80 and, just above that, the University of Nevada, Reno. To the south is the new events center and ballroom.

As the photo map shows, this property is clearly blighted. That blight is real and long-standing. There is a notion that development is inevitable, but this particular portion of downtown has not been developed, despite the monopoly Nevada had on gaming. With our declining economic situation, the prospects of it being developed are more remote than ever. Without some of the benefits that a municipality can use, like STAR bonds, to help incentivize a neighborhood development in an area like this, it will not happen.

Sales tax anticipated revenue bonds were first introduced in the 2003 Legislative Session. That tool was modified by a bill in the 2005 Session.

The developers of this project do not own all the properties here, but they own more than six acres that include 30 to 40 different parcels of property. That is the type of thing that defines blight—fractionalized ownership and devaluation of use—and very hard to cure. On the private side, the developers shoulder the burden, risk, and cost of assembling enough consolidated land to do a development of any scale, which you need to help improve tourism in any tourism market. With the decline in tourism, the concept of a tourism improvement district could now be viewed as tourism stabilization district. We have a tourism-driven economy, and it will be that way for some time. Hopefully, we can continue to move toward diversification of economic drivers in this state. In the north, it has been harder than ever to attract and sustain tourism.

We appreciate the many concerns that have been expressed and we are happy to work with the sponsors and the Committee to address any concerns about the use of STAR bonds. This project has been thoroughly studied since 2005, but nothing ever materialized. We have been under a memorandum of understanding with the City of Reno since June 2008. The concept of using STAR bonds is a necessary tool to create a mixed-use development to help increase the profile of downtown Reno. It is one of the most vital areas in the region for long-term growth in northern Nevada.

Assemblyman Bobzien:

Thanks for the photo map. It is a piece of property that everyone in Reno is very familiar with. I have heard some of the rumors regarding what can happen here, and I think it is very exciting.

It sounds as if your opposition would be to a bill that does away with STAR bonds. I am trying to understand the specific provisions of this bill that would negatively impact your project.

Steven Polikalas:

We are opposed to the bill as written. We would be happy to work with some modifications. The economic effect of pulling out the LSST would remove part of the monetary component of our pro formas that we have been running for years, as to how this project can become feasible; STAR bonds do enable a development like this and help create feasibility for any commercial return.

This is an urban area with very expensive real estate, far different from some suburban area where a STAR bond might simply help increase the profitability. Here, STAR bonds create feasibility at a very base line. Retail is only one of the uses in this development. Offices, retail, student housing, grad student housing, and nongaming hotels are all drivers in this economy. Because of the high cost of land and the difficulty of the assemblage, you have to have all these uses to make it viable and feasible. It is smart growth and dense green development, but retail is the critical economic component.

Assemblyman Bobzien:

What about the individual accountability measures in the bill?

Steven Polikalas:

We are not troubled with further articulation of accountability or transparency to the extent that it is workable.

Assemblyman Goedhart:

If we really want to enhance business, the best thing we can do legislatively is to create a predictable environment. Changes in our regulatory and tax codes make it almost impossible to attract businesses, because businesses rely upon certainty. They have pro forma results and projections they have to meet, and if we want to reinvent the wheel in the middle of every project or redevelopment, it will have a profound effect on our ability to create long-term investment.

Steven Polikalas:

That is an excellent point. We have known since 2005 there is a sunset in the redevelopment area in October 2009. We have been going as fast as we can in terms of the assemblage, as difficult as it is to achieve critical mass to move forward. To change the playing field from October 2009 to July 2009, that is difficult enough when you are developing, but it is even more difficult when you are talking to people from the capital or credit markets, which are a bit off right now, to incentivize them to come back into an area like Reno and into a governmental system that is a less stable playing field. That capital is going to be attracted to so many other cities once those markets unfreeze. We are just

trying to remain on a stable playing field under the current horrible economic conditions.

Chair Kirkpatrick:

It probably would not be so troublesome to me if, not four months after we introduced the legislation, five STAR bonds projects came online. We did not even give the green building people that much thought. In our state, whenever someone suggests changes or clarifications, everyone runs to put their projects in so they have a so-called vested interest. That is where my frustration lies, because I think that we have been honest about looking at the problems in the bill. There comes a time when we cannot be criticized for going back to review what has been done. We cannot be stifled from making decisions. The hotels do not give me a deadline when they are going to change their croissant. They say "Got a better price, too bad, so sad, suck it up and do something with your inventory."

We need some perspective on this situation. I think that we have worked very hard to address everyone's concerns. The situation in Kansas is more ridiculous than ours in what we are attempting to do. People are still going to Kansas to get those STAR bonds.

Steven Polikalas:

We understand that. We have been in the pipeline for a long time and have looked at the list of some of the changes that Kansas has made to their law. I am talking about this particular piece of dirt and trying to get on with the development of this critical part of downtown Reno where the land and assembly cost is so high. That is one of the points of the amendments to Kansas' legislation, that if it is for land, assemblage, or horizontal development, then they are okay with that. That is necessary here. It would help cure some of the problems and give back some of the tools that were taken away by redevelopment.

Chair Kirkpatrick:

Is there anyone else who would like to testify in opposition of A.B. 422? [There were none.] We will start with neutral. I have three seats available.

Alexis Miller, Legislative Relations Program Manager, Office of the City Manager, City of Reno, Nevada:

The City of Reno is the only city to have completed a STAR bond project. In going through the process, we recognized that there are needed adjustments to be made to the current law. We look forward to working with the Committee and sponsors to make those changes.

With me today I have Jonathan Shipman with the City Attorney's Office and Mark Lewis, the City of Reno's Redevelopment Administrator. I am going to let Jonathan walk through some of our proposed amendments and let Mark discuss Reno's experience with STAR bonds.

Jonathan D. Shipman, Deputy City Attorney, City of Reno, Nevada:

We have a document for the Committee's consideration ([Exhibit E](#)). The items in this document should be viewed as technical fixes, recommendations, and food for thought. In general the Reno City Council is well-disposed toward the bill, but based upon our experience, there might be some things we can tweak to make it easier and more certain.

I will go through these proposed amendments for you. Sections 1 and 2 of the bill are fine as they are written. In section 3, we offer a change that goes to the issue of the independent auditor, to determine whether or not paid costs are appropriate and reasonable. In our experience with Cabela's, we have seen that we have a lot of expertise and ability to gauge costs in the area of public improvements, but we do not have a lot of expertise in evaluating private improvements and things we do not normally see, like taxidermy. We would like a mechanism that would encourage that type of review. In the case of public improvements, you may not want that independent auditor if we can already do it in-house.

There are a series of sections that follow including "Primary sales tax generator" defined, "Confidential economic information" defined, and "Proprietary or confidential information" defined. They offer our best take on the information you and the municipality will need to help you decide whether the bill is working. The experience we have to date is tax law, which says a lot of this data is confidential and cannot be disclosed under penalty of criminal sanctions. Assemblywoman Smith's concept is to have confidential information given to the policy makers in a form that they can understand, discuss, and digest, and make those decisions. It also protects the recipient of the STAR bond to the extent that it does not give out information to competitors.

Section 5 needs a technical cleanup. We looked at some of the items in terms of what information was needed and then matched it to the parties who have that information. In subsection 1, the status of the project, the tax revenues anticipated, the financial impact—those are all things the municipality should have in any development situation. That is something we could supply. With regard to sales tax, the Department of Taxation would have that information, so that would be the appropriate reporting agency. For job information, we thought the retailers are the ones who would have that information.

Again, section 5 makes that information confidential so that you can receive it and evaluate it, but it is not put on the public record in a way that would create problems for any of the participants.

Section 4 of the bill posed an issue for the Cities of Reno and Sparks. It is very similar to the type of problem we saw with prevailing wage on the Cabela's project. We have a goal to reach but we do not have the best mechanism to get there.

The projects tend to be private projects. They do not go through a public bidding process under NRS Chapter 338. They are not conventional public works projects. When you try to do things like enforce prevailing wage or enforce bid shopping provisions, it is very difficult because you are trying to achieve a public procurement concept within the construct of a private procurement. For instance, the law currently says, at NRS 271A.130, any project that uses STAR bonds is exempt from public bidding. On the other hand, in section 4 we talk about bid shopping, which makes sense only within a public procurement piece. We are willing to work on section 4 because we understand and want to fix the concern. This section needs more work.

Section 6 is fine. Section 7 deals with the dueling preponderance reports; is there a preponderance or is there not a preponderance? The thought on this section is to have the participants, such as the NCOT and the municipality, buy in on the front end and decide who can produce a report that everyone is going to believe, rather than coming back at the end and having two reports that say two different things.

In section 7, there is a lot of strikeout language relative to the school portion of the bill. If we put the LSST back in, do we still need all this process? Maybe it makes sense, maybe it does not.

Section 8 looks good. Section 9 deals with the prevailing wage portion of the bill. All participants had a hard time working through this on the Cabela's project. I give credit to the Chair and Assemblywoman Smith, because we think this section of the bill is going to fix that. We are happy to see that, because the problem we had the entire time was, what is our obligation under the law and how can we comply with it? In concert with the Labor Commissioner and all involved, we believe this is a very good approach. The only tweak we put in is some new language modeled on NRS Chapter 279.500, which is the redevelopment statute that talks about prevailing wage in the context of redevelopment. We have had some discussions with the Labor Commissioner on that. The thought is to have some additional language in the bill so that everyone thoroughly understands prevailing wage. This means that every

contract that is entered into has to have that language in it. The vehicle currently in the bill will work, but this puts people on notice that this language must be in the bill.

Sections 10 through 12 of the bill look good. The only other change we are requesting is an additional section that revises NRS 271A.110, which refers to the Governor's role and the school tax. If the school tax is going to be left out, do we still want to have this in there?

Mark Lewis, Redevelopment Administrator, Redevelopment Agency, City of Reno, Nevada:

We believe that STAR bonds are a very important economic tool. They can be used as an incentive to create jobs. The Cabela's project generated more than 200 permanent jobs in Reno. During a period of recession, that is an important factor.

Sales tax anticipated revenue bonds increase property taxes, property tax revenue and sales taxes, and help us to take care of blight in undeveloped areas, specifically in areas that may not have otherwise been developed. Cabela's never would have been built if STAR bonds were not available.

The City of Reno is the only city in Nevada to complete a STAR bond project. The overall experience was very positive. We are very pleased with the end product. The project has exceeded our expectations as far as bringing in tourism, which was the key component in the 2005 Legislative Session. The actual numbers have exceeded our projections that were presented to the NCOT. Cabela's has reported to the City of Reno that more than 58 percent of its sales tax revenue was generated from tourists in 2008.

During the past year, we have worked with the bill's sponsor. She has been very accommodating on changes in this bill, and we look forward to working with her to bring it to completion.

[Chair Kirkpatrick returned.]

Assemblyman Bobzien:

Mr. Shipman, in section 4, I appreciate your concern with the issue of bid shopping and trying to come up with a creative way to deal with it. Do you have any thoughts on how we should address this piece of the bill?

Jonathan Shipman:

Assemblywoman Smith had a great comment during a 2005 meeting of the Interim Finance Committee on the purchase/lease language in NRS.

As I see it, there are two elements to this section: the bid-shopping piece and the broader problem of ensuring Nevada residents get the jobs. There are portions in the purchase/lease section of the NRS that speak to giving preferences to hiring Nevadans as opposed to having a straight bid-shopping objective. We would be happy to help craft that language.

Assemblyman Bobzien:

Thank you, for the City of Reno acknowledging that this is an issue we need to work on.

Mr. Lewis, I want to go back to your comments on expanding the property tax base if we have already given redevelopment incentives; how does that work?

Mark Lewis:

That is our main point of focus. We do our best to help create jobs, and this project created a lot of jobs. It also increased property values and new property taxes. In the Cabela's project, there was no existing facility on the site, and the new development created new property tax dollars that come into our community and helped pay for other services.

Chair Kirkpatrick:

Are there any other questions? We will go to the next three people who wish to testify.

John W. Griffin, Attorney, representing Cabela's, Reno, Nevada:

To follow up on Assemblyman Bobzien's question, one thing that came up with regard to prevailing wage at Cabela's is the significant taxidermy collection that adorns the premises. It seems that the Labor Commissioner does not set a prevailing wage for a taxidermist. Sometimes taxidermists of African elephants cannot be located in the Reno area.

We commend Assemblywoman Smith for the bill and understand it is a fluid process. We continue to work with the City of Reno in regard to our agreement with them outside of what is required under the STAR bond legislation. We find that every six months something comes up in the agreement that we look at and say, what were we thinking and why did we do it this way? Some elements of the bill that were good three years ago no longer make sense. It is a work in progress.

As far as reporting of the numbers, we have committed to Assemblywoman Smith that we will work with them to come up with a mechanism for Cabela's to report their sales tax from a big number perspective,

meaning the percentage of taxable sales that are generated from out-of-state visitors.

There is a concern about proprietary information because we do not want our competitors to know what we are doing to market our businesses. The big number, however, is not a problem if we can work with the Department of Taxation to come up with a mechanism to report that.

Michael G. Alonso, Attorney at Law, representing Harrah's Entertainment Corporation, Reno, Nevada:

In Las Vegas sitting at the table is Marybel Batjer, Vice President of Public Policy and Communications for Harrah's Entertainment. I want to give you a little background information, and then I will turn the testimony over to Marybel.

Harrah's understands the purpose of bringing this bill forward and supports what you are trying to do. Their project is a Clark County project under NRS Chapter 271A and was intended to address sports stadiums and arenas.

We support the concepts of the bill and what it attempts to do in terms of amendments. The concerns are with the LSST. We have an alternative, which we are working on with the sponsors and which would affect the live entertainment tax (LET).

The bond term is currently 20 years and we are working with the sponsors on a potential change that would mitigate the loss of the LSST.

Marybel Batjer, Vice President of Public Policy and Communications, Harrah's Entertainment Corporation, Las Vegas, Nevada:

Harrah's takes a neutral position on the current draft of A.B. 422. We are very appreciative and supportive of the sponsors' hard work, and in particular, I want to note that we are appreciative of the concerns regarding public funding by the amendment of the tax improvement district legislation. As many of you know, Harrah's is a very strong supporter of public education. It has been evidenced most recently by our sponsorship of the 3 percent room tax advisory question.

The current draft of A.B. 422 removes most of the LSST from the available tax improvement district funding, which reduces the attractiveness of this incentive to developers and to the potential partners that Harrah's needs for our developmental arena.

We are proposing certain projects on our property on the east side of Las Vegas Boulevard behind the casinos of Harrah's, the Flamingo, and the Imperial Palace. We are proposing an arena and an entertainment district with a

retail and entertainment arcade. Arenas in this country have not been developed recently without significant public financing. In our project development we envision a state-of-the-art arena that would seat up to 20,000 people. We would build this for National Basketball Association teams, National Hockey League games, concerts, family shows, boxing, and rodeos. This would be a fabulous entertainment arena and facility. However, such a facility would cost several hundreds of millions of dollars, and to develop such an arena in the current economic situation we need some incentive for public financing.

The bill in its current draft reduces the funding available for developments by one-third and would preclude development by Harrah's for an arena because it would be very difficult to attract the needed partners and other developers for the project.

In addition, reducing economic incentives could delay development of other projects attendant to the arena for several years, compounding our challenges as a community, state, and private entity to solve our economic situation. The consequences are the lower potential of incremental tax revenue and the delay of such revenues for several years, as compared with what occurs in the existing legislation. Our ability to develop the land allows us to bring revenues into the state. A delay of that could mean a delay of those revenues.

I want to point out the pipeline of development on the Strip in Las Vegas. When the City Center, Fontainebleau, and Cosmopolitan developments are completed, there is nothing else in the pipeline. Our plans for a Las Vegas arena built by Harrah's and partners would add necessary jobs, both for the construction phase and to run the arena once it is built. The project could come on line sooner and be a development that is very important to our community.

We would like the sponsors of this bill to consider an alternative. We want to continue to work with the Committee to amend the bill and replace the LSST with a LET, as Mr. Alonso alluded to earlier. The same funding formulation of 75 percent of the tax would apply to the LET in our proposed change. Qualified taxes would be for new projects only, and 25 percent of the LET would revert to the General Fund.

We want to extend the bonding term length from the current 20 years to 30 years. We also ask to make this a more attractive arena to ensure that the facility will be able to house the National Hockey League and other professional sports teams.

We hope that our idea for the LET goes toward helping the LSST situation.

Chair Kirkpatrick:

Does anyone have any questions? Did you provide the proposed amendment to the Committee?

Michael Alonso:

We are still working with Assemblywoman Smith on the concepts, so we do not have a separate amendment at this time.

Chair Kirkpatrick:

If Mr. Van Gorp would like to come to the table, we will go to Mr. Alonso.

Alfredo T. Alonso, Attorney at Law, representing Nevada Land and Resource Company, LLC, Carson City, Nevada:

It has been mentioned that the City of Reno has several projects coming up, and ours is one of them. In fact, it was two short years ago that we came to you with a baseball project in downtown Reno. At the time, we were looking for a site. SK Baseball, the partners of Nevada Land, were also looking for a site. They bought the team, and we settled into downtown Reno thanks to the hard work by Mayor Cashell and Mark Lewis. It is a success story.

The blighted area that we moved into had a few weekly motels and abandoned buildings. No one had built there for more than 20 to 30 years. If you walk by there now, you will see the old Harrah's building that was empty for years is now leasing office space with the baseball stadium as a view. This is an example of the concept of redevelopment at its best. Part of that concept was to expand the district to ultimately bring more entertainment, restaurants, and retail to that part of downtown Reno, which has been neglected for years. That is where our STAR bond district was created.

We thank the Chair and Assemblywoman Smith for all their hard work and for looking at this issue again. Like any other new concept, it is going to have scrutiny and times of adjustment, ensuring the public good first and foremost. Education is extremely important, but by the same token the incentives are extremely important. From our perspective, we will continue to work with the sponsors and the Committee, and I think we can come to an agreement on a plan that works for everyone. Public/private partnerships can be good for the communities and ultimately the state with respect to tax revenue. When we started working on this project, there were properties in the area selling for \$10 to \$15 a square foot. After the stadium was announced, those same properties began selling for \$50 to \$80 a square foot, even in this horrible economic climate.

Steve Van Gorp, Deputy Director, Office of Business Development, City of Las Vegas, Nevada:

[Mr. Van Gorp read from prepared text ([Exhibit F](#)).]

We have other potential projects coming to us now in the downtown area. We would like to work to create other TIDs. [Mr. Van Gorp continued to read.]

If I may, I would like to respond to the first speaker. To clarify the CIM Group project in downtown Las Vegas, the application area does not include the Lady Luck Hotel Casino, a CIM property. We have a development agreement in place with CIM. If they complete redevelopment of the Lady Luck and get it open again, they can make another substantial investment in the property of \$100 million to \$200 million to complete the Lady Luck project. Then they will have the opportunity to buy the land around the old historic post office, where the current Downtown Transportation Center is located, to develop a new project. That is the focus of the CIM Group's TID application that is coming forward now. It is just the 4.5 acres around the post office. It does not include the Lady Luck or the post office itself. Further, the developer is not seeking tax rebates in the redevelopment area. This is an economic development project to use STAR bonds.

Robert F. Joiner, AICP, Government Affairs Manager, City of Sparks, Nevada:

With me today are City Planner Armando Ornelas and Randy Mellinger, our Assistant City Manager.

We have been involved in this legislation since before the BDR was drafted, providing information to the Research Division of the Legislative Counsel Bureau (LCB), and meeting with Assemblywoman Smith on a regular basis as we do with our legislative delegation that represents Sparks. We have had a lot of opportunities to talk about the growing pains of working through this STAR bonds project. We have the most complex project, Scheels, and like Cabela's, it has exceeded our expectations even in this down market.

I would like to turn this over to Mr. Ornelas to make some comments on Mr. Shipman's presentation, and Mr. Mellinger is here to answer any questions.

Chair Kirkpatrick:

Are these comments on the sections of the bill different than the City of Reno's comments?

Armando Ornelas, City Planner, City of Sparks, Nevada:

The recommendations that were discussed by Jonathan Shipman are joint recommendations, so I was not planning to go through those in any detail.

I would reiterate the comments of Assemblywoman Smith. We have been working with this complex process for a long time; it has been an arduous process at times.

Randy Mellinger, Assistant City Manager, City of Sparks, Nevada:

I have been involved in this legislation since 2002. There were several of us involved, including Mr. Berkich from Washoe County, Mr. Swendseid, and Mr. Polikalas. This is well before the Legends came into Sparks. We wanted Cabela's, but they insisted they would not come here unless we modeled the legislation after the Kansas law. We utilized the Kansas model, which at the time called for 100 percent of the sales tax. I came up with the 75 percent to make sure there was some revenue up front for the affected taxing entities. I also came up with the fiscal impact analysis on local governments and schools because we were trying to address potential issues that might surface.

Through this very arduous process, we agree with you and Assemblywoman Smith that some changes and improvements to this bill have to be made. We have learned that the process is difficult. We used a lot of independent analysis, and it literally took thousands of hours to get through this process. We think with these improvements it will be much easier for us to implement a truly economic development project.

In our case and in Cabela's case, thousands of people drive through our region every year, and this is capturing them the way the original Cabela's does in the Midwest. In that respect, we believe that we are improving the economic stance of northern Nevada and the entire state. We started this after 9/11, which had a huge impact on northern Nevada. I think there will be improvements on this bill every session.

Chair Kirkpatrick:

I hope not. I hope we get it right this time. Does anyone have questions? Is there anyone else who wants to testify in neutral?

Dino DiCianno, Executive Director, Department of Taxation:

The Department is neutral on A.B. 422. We are more than willing to work with the Chair, Assemblywoman Smith, and Cabela's with respect to reporting tax revenues. We do not want to run afoul of the confidentiality rules.

Some potential amendments were mentioned earlier with respect to the LET. We would like to be made privy to that, because it could affect our distribution rules and could require potential changes to our computer system.

Jack Mallory, Director of Government Affairs, International Union of Painters and Allied Trades, District Council 15, Local 159, Henderson, Nevada:

I signed in to support this legislation. One of the themes we have heard from the tourism industry today is that it is all about the money that goes into redevelopment. You hear that a lot in other circumstances, whether it is in green energy or redevelopment.

I tend to agree that we want to maximize the amount of money that goes to projects that create jobs, especially in the construction industry. Our members thrive and survive on these types of projects. However, we have been shortsighted when we talk about funding and where that money goes. As long as we keep our tax base in the tourism industry and in industries that create few jobs, and do not attract high-tech and other manufacturing jobs, we are being very shortsighted.

Considering the dismal per-pupil spending in the state, I think we are doing a disservice not only to our citizens, but also to the state at large when we talk about attracting new businesses. We are not going to attract business in the high-tech sector, and in high-tech manufacturing, as long as we have what the public perceives to be stupid people living in our state. That may work for the tourism industry and the retail industry, but it does not work for the high-tech industry.

Chair Kirkpatrick:

Does anyone have any questions? Does anyone else want to testify on A.B. 422? [There were none.] We need to have this legislation back before this Committee by next Wednesday for a possible work session. I hope you will see Ms. Smith right away to address any of your concerns. The Committee members will all work diligently with you to help you understand the process. Mr. Alonso, if you can get Mr. DiCianno and Ms. Smith copies of your proposed amendment, that would be great.

I will close the hearing on A.B. 422. Is there any public comment? Is there anything from the Committee? [There was nothing.] We will adjourn until 8:00 a.m. tomorrow.

[Meeting adjourned at 10:19 a.m.]

RESPECTFULLY SUBMITTED:

Denise Sins
Committee Secretary

APPROVED BY:

Assemblywoman Marilyn K. Kirkpatrick, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Government Affairs

Date: April 2, 2009

Time of Meeting: 8:02 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Michael Skaggs	Presentation Packet on the Commission on Economic Development
A.B. 422	D	Steven D. Polikalas	Photo Map of Northern Nevada Urban Development Company project site
A.B. 422	E	Jonathan Shipman	Proposed amendments to <u>A.B. 422</u>
A.B. 422	F	Steve Van Gorp	Testimony on <u>A.B. 422</u>