

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON TAXATION**

**Seventy-Sixth Session
June 3, 2011**

The Committee on Taxation was called to order by Chair Marilyn K. Kirkpatrick at 8:32 a.m. on Friday, June 3, 2011, 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/76th2011/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 Harvey J. Munford, Vice Chair
Assemblyman Elliot T. Anderson
Assemblywoman Teresa Benitez-Thompson
Assemblywoman Irene Bustamante Adams
Assemblyman John Ellison
Assemblywoman Lucy Flores
Assemblyman Ed A. Goedhart
Assemblyman Pete Livermore
Assemblywoman Dina Neal
Assemblywoman Peggy Pierce
Assemblyman Lynn D. Stewart
Assemblywoman Melissa Woodbury

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

None

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Michael Nakamoto, Deputy Fiscal Analyst
Brenda Erdoes, Legislative Counsel
Mary Garcia, Committee Secretary

OTHERS PRESENT:

Christopher Milam, President, Las Vegas National Sports Center
Port Telles, Development Director, The Cordish Company,
West Sacramento, California
Craig Cavileer, Development Partner, Majestic Realty Co., Las Vegas,
Nevada
Mark Fiorentino, representing UNLV Now, Las Vegas, Nevada
Terry Care, representing Las Vegas National Sports Center
Brian Krolicki, Lieutenant Governor
David Goldwater, representing The Cordish Company, West Sacramento,
California
Scott Adams, Chief Urban Redevelopment Officer, City of Las Vegas
Brody Leiser, Deputy Executive Director, Nevada Department
of Taxation
Thomas Sheets, representing Las Vegas National Sports Center
John Restrepo, Principal, RCG Economics, Las Vegas, Nevada
Jon Snyder, representing Las Vegas National Sports Center
Guy Hobbs, representing UNLV Now, Las Vegas, Nevada
Gerry J. Bomotti, Vice President for Finance and Business, University of
Nevada, Las Vegas

Chair Kirkpatrick:

[Roll was called.]

For the Committee, I know it is early, and I know you have been working on a lot of different issues, and I appreciate it. We currently do not have this bill in our possession. However, knowing that today is Friday, and since it is Monday, I want to have a public hearing in this Assembly Committee and get some of the policy questions out of the way. I think it is important that we do that.

The Senate has the bill, so we will just be working off information that we would like to ask today and tomorrow. I was hoping Ms. Vilardo would be here; she has several questions. She is not here. I would like to invite to the witness table the three presenters we saw yesterday and ask each of them to give us a

three-minute recap. We will go specifically through the bill on your project and what your project does. We will then go through the bill section by section. If you are going to be one of those answering questions, you might want to stay close to the front so that we can keep a constant dialog going.

The one thing that this Committee did very well when we discussed the services tax bill was to have a good policy discussion. I hope the Committee does the same today.

I invite the three folks up who were part of the presentation. You get three minutes, and that is it. We want to get started. We will work off the mock-up ([Exhibit C](#)) on the Nevada Electronic Legislative Information System (NELIS).

Christopher Milam, President, Las Vegas National Sports Center:

I am here in support of Senate Bill 501.

Senate Bill 501: Authorizes the creation of an event facility district in certain counties. (BDR 22-1301)

[Mr. Milam presented a proposal ([Exhibit D](#)) for the record.]

Our project is called the Las Vegas National Sports Center (LVNSC). It consists of three separate venues: a stadium, a ballpark, and an arena. It is located in Clark County off Interstate 15. Our section of the bill, if you will, is section 10. We have asked for a special district, which surrounds the venues only. We have asked for a portion of a limited number of taxes and a long list of excluded taxes that we have agreed to.

Our team consists of Terry Care, our lead lobbyist. We have John Restrepo, who did a series of financial analyses for us. There was a demographic analysis, an economic output analysis, and a fiscal benefits analysis. He will be here to answer any questions. We also have Tom Sheets, who will focus on the fiscal benefits, because the project is fiscally positive at all levels of government from the start.

We have been working on the project for about two years. It has a \$1.9 billion construction cost. If this legislation is approved and the ordinance is adopted by Clark County, we will be under construction by November or December of this year. We will create about 7,000 construction jobs immediately and 4,000 permanent jobs.

The economic investment directly into southern Nevada during construction is around \$1.4 billion, and the additional economic output annually each year thereafter is around \$500 million.

Chair Kirkpatrick:

Thank you, I appreciate that. Does anybody have any nonpolicy questions? I see none. Go ahead, sir.

Port Telles, Development Director, The Cordish Company, West Sacramento, California:

[Mr. Telles provided a PowerPoint presentation ([Exhibit E](#)) for the record.]

Our project is a partnership with the City of Las Vegas. The location is in downtown Las Vegas in an area referred to as Symphony Park, which is a 62-acre master planned community that is owned by the City of Las Vegas. Our current neighbors in Symphony Park are the Smith Center for the Performing Arts and the Cleveland Clinic Lou Ruvo Center for Brain Health. The entire district is planned to be a mixed-use residential project.

The project we are proposing is an arena designed to accommodate professional basketball or a National Hockey League (NHL) team. Accompanying the arena is what we refer to as a "Live Block," which is a naturally occurring amphitheater surrounded by clubs and restaurants. Within the Live Block, we would hold a series of concerts, special events, and comedy routines. You can hear jazz and the like. All of our concerts are free. We would have approximately 180 concerts per year. It is also open to the public for pep rallies and those sorts of things.

The anticipated construction cost is roughly \$420 million for the arena. That does not include the Live Block. The arena itself will create around 4,500 construction jobs. Thank you.

Chair Kirkpatrick:

Thank you. Does anybody have any questions that are not policy questions? I see none. Good morning, sir.

Craig Cavileer, Development Partner, Majestic Realty Co., Las Vegas, Nevada:

Good morning. I am here to talk about a project we have proposed in partnership with the University of Nevada Las Vegas (UNLV), which we refer to now as the UNLV Now Project.

We have a unique project to present to you which we have been discussing with UNLV for about 7 or 8 months now. The project is unique in the sense

that it started 55 or so years ago with the establishment of a 330-acre master plan. About half of the campus is developed into educational and other facilities. The other half of the campus is mostly devoted to sports, entertainment, practice fields, parking, and the like to support Thomas & Mack Center.

Phase 1 of the sports and entertainment piece of our project began over 25 years ago when the Legislature chose to support the development of Thomas & Mack, which has served us well. It is one of the top 10 performing arenas in the United States. Over 150 events are held there per year. The Center is supported by, quite frankly, our own content; these include our own UNLV basketball games, the National Finals Rodeo (NFR), Professional Bull Riders (PBR) events, and other world-class entertainment.

We are proposing to continue that legacy as a leader in sports entertainment, but also to transform the University into something much greater than that. We are well-known for a lot of things, but we want to be well-known as a great cultural institution and a great educational institution. We also want to be in demand worldwide for our product, and by transforming this University into not only sports entertainment, but also by developing thousands of units of campus housing, other educational buildings, structured parking, retail amenities, and the like, we believe we will have a world-class institution that is in demand across this country.

There are some other things that distinguish us. Our partnership with UNLV is not only us serving as a development partner and using our expertise to facilitate this long-term master plan, but also we are 50/50 profits partners with this University. So, while we are not only acting as a facilitator in seeking to develop this project and representing them in this legislation, they also own 50 percent of the project with us and all profits generated. Thomas & Mack today generates between \$5 million and \$7 million a year profit to UNLV. By this enabling legislation, and by having UNLV as the beneficiary, that number would be far exceeded with this development. At the end of our agreement, which is approximately 65 years, the University will own all of the assets that we have developed and paid for partially through this enabling legislation and partially through our equity and other debt. So, UNLV really owns the project. We are there as kind of a surrogate to get it built, to manage it, and to operate it with them. In the long-term, the University owns the asset.

Our project is not contingent upon professional sports. We do not need anything else to make our project happen. We own the football team, the basketball team, and all the UNLV sports. We have Thomas & Mack, NFR, PBR, and 150 other events. We will enhance Thomas & Mack Center with this

enabling legislation. We will also build a 40,000-seat enclosed arena that will allow us to have 60,000 seats on campus; have our football team on campus; continue to have the Runnin' Rebels play there; attract and retain the NFR, PBR, and other world-class events; and also be ready for the National Basketball Association (NBA), National Hockey League (NHL), and Major League Soccer (MLS). Others are promoting professional sports in Las Vegas; we are promoting UNLV. We are ready for those teams if the market wants an NBA, NHL, or MLS team. We would be happy to house them in our project. We have plenty of seats. We will have 60,000 seats, 20,000 of which are already there.

We are not contingent upon professional sports. We have the content today to make this project happen. I think if this body is looking for certainty, they should look at UNLV, because we are already in the business. We are one of the best in the country at operating these facilities, and we are ready to go today.

We own the land . . .

Chair Kirkpatrick:

Move on to the policy part. You have about 10 seconds.

Craig Cavileer:

I think that we should all be looking for certainty, which UNLV can offer. We are ready to go today.

We have on teleconference Guy Hobbs. He will be available to answer policy questions. Thank you.

Chair Kirkpatrick:

Thank you. Mr. Munford.

Assemblyman Munford:

Thank you, Madam Chair. With any of the three projects, no one has mentioned anything about ingress and egress and traffic control—getting into these various arenas. You are near the Strip already. There is already a traffic problem on the Strip on various days and hours. No one has said how you are going to cope with that. Do you have a special plan to deal with the traffic? Are you going to be involved someday like Mandalay Bay? You are coming in from California with maybe a high-speed rail type of project. Will you be tying into that? Is the light rail going to be considered in this? Because I have heard some testimony on light rail earlier in this session. All of that is tying into the Strip traffic. I think that is important. Who knows if you want to drive and

cope with all that traffic? The Speedway is on the outskirts of the community, and it is easy to get there. How can we get to your venues without many traffic problems? That is what concerns me.

Chair Kirkpatrick:

Let me do this: let us get all the questions in, and I will give you each three more minutes to address them. Ms. Pierce.

Assemblywoman Pierce:

The gentleman from the Majestic answered this, but for the other two gentlemen, are the numbers you are putting out here—in the out years—are those contingent on contracting a professional sports team? I assume we are talking about basketball, although I know nothing about sports.

Chair Kirkpatrick:

Mr. Ellison.

Assemblyman Ellison:

Thank you, Madam Chair. I listened to all the presentations, and I like the idea of trying to bring money to Clark County and help the economy and get people to work. One of the things you said during your presentation is that the Thomas & Mack Center currently generates more than \$7 million in profit annually to the University. With this size of facility, what would that put back into the University to help the shortfalls in its budget? Would this increase anything that would help the University?

Chair Kirkpatrick:

Mr. Ellison, I think that is a good question for all of them.

Assemblyman Ellison:

I agree.

Chair Kirkpatrick:

And so, I am going to have all of them address it, because we are talking about a good portion of the state's taxes that would be diverted for quite some time.

Assemblyman Ellison:

The reason I asked that question is that only one had housing in its proposal. If you look, it says that the additional projects completed include up to 5,000 units of student housing and 60,000 square feet of retail space. I asked that because I was trying to focus in my mind 5,000 units. Would that money go to the University, or would that money go to the construction?

Chair Kirkpatrick:
Mr. Anderson.

Assemblyman Anderson:

Thank you, Madam Chair. My question is about the UNLV arena. How is this all set up? We have so many public works laws on the books that I wonder how this project would interact with the rest of the laws. Is there any interaction?

Chair Kirkpatrick:

Ms. Neal, ask whatever you want. They are here for the duration of session.

Assemblywoman Neal:

Thanks, Madam Chair. I am looking at the binder ([Exhibit D](#)) presented by International Development Management (IDM). On the economic benefits page, it talks about the fiscal benefits summary. On page 2, you had listed the potential tax receipts collected by the government. You also have the Modified Business Tax (MBT) in there. I do not know if you guys have recalculated what that new sum will be; because we have, to some degree, exempted a portion of the MBT up to \$62,500 [in wages] each quarter. How have your numbers changed? What will be the actual amount?

Chair Kirkpatrick:

We are going to have them all answer that question, because they are all asking for MBT subsidies; and, quite frankly, that is a policy question, which is in, I think, section forty-something. Within the bill, the way I read it, it says that once these projects are bonded out, we could not change our tax structure. That is a question that we need to have answered by each of them.

Are there any other questions from the Committee? We will go back to our three minutes, and then we will go through the bill section by section. These are the questions that you may want to focus on: those on transportation and the professional sports team. For the University, you might want to discuss the public works portion of it and the dollars generated from the homes. All of you should answer the question on the MBT. I am trying to make this efficient and keep it going as smoothly as possible, so do not hate me. We just need to have the discussion in an efficient way. Whoever wants to start, go ahead.

Chris Milam:

With respect to traffic, we selected a site for the project on Interstate 15. It is bordered on the east by South Dean Martin Drive, on the west by Polaris Boulevard, on the south by Russell Road, and on the north by West Hacienda Avenue. The intersections at West Hacienda Avenue and

Russell Road have just been substantially improved with the Southern I-15 Improvement Project. South Dean Martin Drive actually has its own underpass as well and is connected to almost all of the warehouse and industrial distribution facilities up and down the west side of Interstate 15. There is a substantial public investment that has just been made in the roadways, which were already significant to start with. From a vehicular ingress and egress perspective, I think the site is optimal.

To answer the related question with respect to parking, the site is currently in an area that is mostly provides older warehouse space and light industrial distribution. There is a lot of vacant land, so there is a significant amount of area for both service and structure parking. We are not surrounded by any other hotel casinos or substantial retail operations, which are higher-value operations. There is plenty of excess land for parking.

Chair Kirkpatrick:

But what about the other questions? I want you guys to answer them all at once, please.

Chris Milam:

Okay. The second question, I believe, was about professional sports from Assemblywoman Pierce. Our project is designed to accommodate both professional and major league sports. The ballpark will be the new ballpark for the Las Vegas 51s, a franchise we actually have now. The ballpark is expandable to accommodate Major League Baseball, but we are doing the AAA ballpark first. The stadium is designed for MLS, and it is also expandable for National Collegiate Athletic Association (NCAA) bowl games and for NFL football. It is being built in its first phase for MLS, and we have an expansion franchise that has been granted by MLS at this time.

The arena is being designed specifically to specifications for the NBA. We are in discussions with them now. That building, because there are so many other events it can be used for, is not contingent in any way on an NBA franchise, but we are definitely building it to that specification.

Chair Kirkpatrick:

Okay, and the last questions would probably be the MBT considerations.

Chris Milam:

With respect to the MBT question, does it have to do with the potential that it may go away, or that it has been modified just in the present session?

Assemblywoman Neal:

It is going to be modified going forward, and so your numbers should decrease, because you cannot calculate a certain percentage into it. I wonder whether you have recalculated it. I guess you are not fully aware of what has happened, but it is in the budget now, so that has to be recalculated. Your numbers are probably going to decrease. I know we were supposed to take a loss next year, and then we are not supposed to see anything in return maybe until 2013. You have pledged revenues associated with it.

Chris Milam:

This has also been brought up by Carole Vilardo, with respect to the potential for the MBT to be discontinued. The desire of the Legislature, I think, not to want to have people bonding against pledged revenues from the MBT might restrict the next Legislature's ability to discontinue that tax if they want to do it. We have been listening to those discussions, and although we have the MBT in our figures at this time, we can release that from our calculations without too much economic damage to the analysis. If the MBT becomes a pass-through in the district and is excluded from capture, that is fine with us.

Chair Kirkpatrick:

Go ahead sir.

Port Telles:

A few years back, a joint study was commissioned by the City of Las Vegas and Clark County, and this analysis analyzed 17 different locations for potential arena sites. Part of the analysis included traffic ingress and egress, parking, and other similar issues. Our site was ranked as a tier-one site because of its proximity to the freeway, its distance from the Strip, and because of the huge number of parking spaces that already exist in the downtown area. I mentioned yesterday that we have 12,000 parking spaces that are underutilized in the downtown area. Also, the site, as it exists today, is largely raw land and can be phased in as surface parking, and as the project gets built out, we can build structured parking. Just within Symphony Park, there are 3,000 spaces of available structured parking. We are in a very good position from a logistics standpoint to accommodate an arena and to get people in and out quickly.

Another attribute that was recently constructed is a rapid bus transit system that connects our project to the Strip. It was built with federal funds, and it is a very efficient system because you do not have to build tracks for it. But at the same time it has dedicated roadways, so people can get in and out very quickly.

With regard to your second question, as far as the numbers being contingent upon obtaining a professional sports team, the answer to that is no. We

perform at our arena based on 142 event-nights, excluding professional sports. That is how we based our analysis. We have had very good discussions with people about bringing a team of business people who want to transfer teams to Las Vegas. We are very bullish on the prospect of getting a professional team. That is really what we would like to do. It is definitely what the Mayor would like to do, and it is what we intend to deliver. Based on just the facts, numbers, and our analysis, the project does not include a professional team.

Another important comment, as it relates to those numbers in our financial analysis, is that our partner, the City of Las Vegas, is contributing the land at a zero basis. That is part of the partnership that the city has with Cordish. The entire arena is going to be publicly owned. We are not going to own or profit off the arena. We have no intention of being part of the profit structure. We are just here to facilitate the construction of the arena.

With regard to the MBT question, we never had that in our financial analysis, so it has absolutely no impact on us.

Chair Kirkpatrick:

Okay, thank you. Go ahead, sir.

Craig Cavileer:

The University property is uniquely positioned with four of the most substantial thoroughfares in Clark County. They are West Flamingo Road, West Tropicana Avenue, Paradise Road, and South Maryland Parkway. We all know it is at the exit of the airport, so traffic flows right into Tropicana Avenue at that point. We have had discussions with the airport authority to enhance the traffic flow. They already have problems. When you leave the airport, you hit Tropicana Avenue at the "T." They have some ideas and ways that we can not only assist the airport in handling airport traffic, but also creating a major gateway into the University project. Right now, traffic empties into Swenson Street, which cuts through the campus. We have a plan that we believe works very well not only for the University to divert traffic that is not going into the University, but also helps with the challenges the airport has with lack of funding to widen some of the ingress and egress points at East Tropicana Avenue and the airport exit. You have major thoroughfares all the way around. We are already in the traffic business here, and we have some traffic challenges.

National Finals Rodeo is a great example of when you have an absolutely packed facility. We would seek to enhance not only the current situation, but also to accommodate future capacities that are generated by a larger facility. We are right by the airport; that is terrific. We are also just a few thousand feet

away from two of the largest hotels in the world—the MGM Grand Hotel and CityCenter—shooting right down Tropicana Avenue and right down Flamingo. We like that for Strip access when we have those types of events that bring tourists to the property. Also, we are approximate to other major transportation, and we are building our project to accommodate the future monorail to the airport and other rapid transit facilities that might be contemplated.

That is kind of the business we are in—solving problems like this. We certainly do not want to create our own problem. We look at this as a very high density and a high traffic throughput project. All of that would be taken into consideration in working with Clark County to make sure that happens.

Regarding the numbers related to professional sports, as I said before, we are not contingent upon professional sports. We already have 150 to 160 events that we operate in the Thomas & Mack Center, so we probably know the numbers better than most on how these things can work. Professional sports makes it better and more profitable for us, the University, and the state. It also makes it better for the tourism industry, to the extent that we are able to attract those teams. The teams will play wherever there is a building, whether it is downtown, on South Las Vegas Boulevard, or at Thomas & Mack. If you build a great building and you ensure that you meet all the requirements necessary for its operation, which anyone who builds a building would, a team will come there. You may have to buy the team and bring them, but a team will play. It is not necessarily important to us that we have them. We are going to build a building that is able to accommodate a sports team.

Regarding the \$5 million to \$7 million question on Thomas & Mack, Thomas & Mack currently enjoys that as a profit center. It goes largely, as I understand, to fund athletics. It is critical to them. That money is at risk if UNLV does not get this project. Why is it at risk? It is because we have a lot of events that take place at Thomas & Mack. Given the alternative of a brand new building with all the contemporary features that we did not have when we built Thomas & Mack over 20 years ago, we would be competing for events and would likely lose a lot of that business. To the extent that we lose it, that is money right out of the University's profit center, and it would have to find some other facility or put its Division I sports status at risk. This is not just about a building; this is about preserving what we currently have.

The master plan certainly includes far more than just the sports facility. That is just one small component. The master plan is designed to transform the University and make it a major contemporary university facility. The residential

units and the retail go to support the cost of building this arena, in addition to this enabling legislation. These facilities also go to support in addition to the \$5 million to \$7 million that is already coming in, additional profits to the University. We are not prepared for, nor do we know exactly what those numbers are going to be. Some of that has to do with how this legislation comes out. Some of that has to do with whether there will be other teams in addition to the content that we already have with our own teams and events. I feel very certain that the University is going to be in a much better situation than they are today with this project. Number 1, they will not lose what they have. Number 2, they will be enhanced through these additional facilities.

Was there another question on the multifamily or the apartments? I do not know if I answered that question properly.

Chair Kirkpatrick:

You did. The only other question for you would be regarding the public works project.

Craig Cavileer:

Mark, do you want to speak to that?

Mark Fiorentino, representing UNLV Now, Las Vegas:

I will try to answer this. We also have in the audience Gerry Bomotti, who is the chief financial officer for UNLV. He has a lot more experience working with the public works boards. It is an excellent question. Because our partner is UNLV, we have existing laws that govern which projects have to go through the State Public Works Board process. There are also bills that have been introduced this session, which are still pending, that affect that process. The most accurate answer is that we are not exactly sure how it will work because it is dependent on both existing law and how those pending laws end up, but we suspect that if you get this far on the bill—and we have talked to your legal staff about this—we suspect we will need to have some language that makes that process efficient. We want to address your concern about creating jobs and creating them quickly. We can meet that need, and we are not unintentionally delaying those things because of a second bureaucracy. We may need some help with that language. We are still analyzing the comparison between existing law and what some of the pending bills say.

Chair Kirkpatrick:

With that, we are going to start on the bill for the Committee. I would like to ask you all to turn to the mock-up. This is just informational, but I think that this Committee is knowledgeable on how we like to ask questions. Please participate, Committee members. I know that there are several amendments.

I want to speak to Senator Horsford about the amendments out there, but today I would like to just go through the mock-up. I am going to go through sections 1 through 5 and see if there are any questions. Mr. Livermore, do you have a question?

Assemblyman Livermore:

I wanted to know if we are going to use the mock-up or the original bill, but you just answered that.

Chair Kirkpatrick:

Yes, the mock-up. This is only informational, and we do not have the bill. This is like a big working group for us. I think this Committee is pretty good at working on the policies. Is there anyone who does not have the mock-up? I have an extra. Not all of us are quick on that computer stuff. Mr. Stewart and I like the hard copies.

Sections 1 through 5 are definitions. Does anybody have any questions on those definitions? [There were none.]

Okay, section 6 is key to defining the event facility. Ms. Benitez-Thompson.

Assemblywoman Benitez-Thompson:

Thank you, Madam Chair. In section 4, the statutes that we put in place would be applicable to a county with a population of 100,000 or more. All of the discussions we have been having on these projects are about the Clark County area. I am wondering, why write the statute with such a low population threshold? What was the thinking behind that?

Chair Kirkpatrick:

I do not know that any of them can answer this question, but I can tell you what Senator Horsford told me. I asked the same question, and he said that he just wanted Washoe County to have the option. I know that you have a lot of arenas and stadiums up here, and you guys use a lot of them. That was just his thought—to allow them to use it. I spoke with representatives of Washoe County, and they said they did not know that there was any desire to include it. Senator Care.

Terry Care, representing Las Vegas International Sports Center:

I heard the Committee Chairwoman say that tomorrow we will discuss amendments, but I think this goes to why Washoe County may be in there. It does not pertain to us, but if you would like to hear from the Lieutenant Governor, he has certain statutory duties that go to tourism and economic development. I think he might be able to shed some light on that.

Chair Kirkpatrick:

Mr. Krolicki, Lieutenant Governor. I am not used to calling you that. I should just call you Brian.

Brian Krolicki, Lieutenant Governor:

Thank you for the question. Again, this is about an amendment ([Exhibit F](#)), and I am happy to come back later. One of the things you may have been hearing—and we had Olympian Day not too long ago in this Legislature—is the fact that the Reno/Tahoe area is hoping to host the Winter Olympic Games. We have had a coalition that has worked for many years. We are geared up. I chair that coalition. It is a bistate effort between California and Nevada. We have an exceedingly good chance to capture the Winter Olympic Games, should the U.S. Olympic Committee (USOC) call for that bid to be presented. They will make that decision next year. The year 2022 sounds far away, but deadlines for bid cities would begin next year.

Having this kind of statutory authority, I am supportive of this bill. It needs to be done appropriately. It is in the details, I think. Madam Chairman, you talked about that yesterday. Senator Horsford talked about how excited he was. I am excited about it, too. Done well, this is an incredibly important tool. I chair both the Nevada Commission on Economic Development and the Nevada Commission on Tourism. This is authority in our bid packet for the Olympic Games would be an amazingly useful tool. It is not committing us to anything, but if the USOC sees that there is an intent and a recognition and that this is something important to all of Nevada, this amendment would be very important. We will actually look for an amendment to place the term “Olympic Games” in international athletic events. Thank you. Are there any questions?

Chair Kirkpatrick:

Yes, Lieutenant Governor. I know I said I would do amendments tomorrow, but where would you want that amendment to be placed? Under definitions?

Brian Krolicki:

I have spoken to Legislative Counsel Brenda Erdoes, and we are to visit today and get it definitively out, but I would say on page 2, section 6, where “Event facility” is defined as “. . . a stadium, ballpark, arena or other sports facility . . .,” I would add “or any Olympic venue.”

Also, in subsection 2, where it reads, “Is appropriately constructed to accommodate a major or minor league sports team or an athletic team of a college or university,” I would add, “or international athletic competitions.” But, I would defer to Ms. Erdoes on the drafting.

Chair Kirkpatrick:

Okay, so maybe I could meet with you later after you meet with Ms. Erdoes, and we could figure out language, if you want to meet with us on a Saturday morning.

Brian Krolicki:

I look forward to that opportunity. I suspect I will be in the building anyway. I think Mr. Terry Care, in his amendment ([Exhibit F](#)), has already broached that subject, but Ms. Erdoes and I will discuss it.

Chair Kirkpatrick:

Mr. Anderson.

Assemblyman Anderson:

Thank you, Madam Chair. Good morning, Lieutenant Governor. Would one arena be enough for you to be able to build up the infrastructure for the Olympics? If I understand the process for the Olympic Games, it involves a number of venues that must be created; and if I understand this bill correctly, it allows the governing body to select one of the three options. Would that be adequate under this bill for the Olympic Games?

Brian Krolicki:

I am here to support S.B. 501. This is largely for Clark County, and I am all for attracting a professional sports team and creating this kind of infrastructure for sports. My role here is not to upset the equilibrium. This bill is not about the Olympics, but it would be great if we can make sure we have language to accommodate that.

The University of Nevada-Reno (UNR) campus will likely be key to this. We would need multiple event venues. The good news about the Winter Olympics is that Mother Nature builds most of it for you; unlike the Summer Olympics, where bird nests and swimming cubes and those kinds of things must be built. We would be building multiple venues. Anything that we can have in statute is helpful. Certainly, the number of seats is important. We think we can work with numbers like 25,000 or 30,000 seats. Certainly, Mackay Stadium would be key in all of this. Much of the seating for an Olympic Venue, like what was done in Salt Lake City, is temporary. I would even envision perhaps a temporary ability to host the world for a two-week period. But there will be legacy infrastructure—things that all of Nevada, certainly UNR and northern Nevada, could use for decades afterwards. That is why you do the Olympic Games—not to host the world in sport and competition, but to create a physical legacy throughout this region that will last for decades.

Chair Kirkpatrick:

Okay, thank you, Lieutenant Governor. We will now go on to sections 6 to 8. Are there any questions from the Committee? Mr. Ellison.

Assemblyman Ellison:

Thank you, Madam Chair. I think there was a recommendation yesterday that said "under the body of county commissioners *and* city council." Is that true, or did I misunderstand that request?

Chair Kirkpatrick:

Is that on section 8? I am sorry, Mr. Ellison. Please repeat your question.

Assemblyman Ellison:

Yesterday, there was a recommendation that not only included the Clark County Commission, but it asks that the Las Vegas City Council be included as a governing body. I do not know whether you want to make changes or not. That was the recommendation on the floor yesterday.

Chair Kirkpatrick:

Okay. Mr. Munford.

Assemblyman Munford:

I thought the city said something about an independent body. Is that not what you wanted to set up—an independent body?

Port Telles:

That is correct.

Assemblyman Munford:

I recall yesterday. The city said they wanted to be independent and select its own body. Is that true?

Port Telles:

That is correct.

Chair Kirkpatrick:

Okay.

Assemblyman Munford:

Should that be in there somewhere?

Chair Kirkpatrick:

Well, we are just going through the amendment. That is a point that I will make, like we did with the sales tax bill and go from there. I remember the discussion about the independent body and that they were not limited to just the seven votes. Mr. Stewart.

Assemblyman Stewart:

Madam Chair, I do not know the exact name, but I think it is something like "Southern Nevada Planning," "Regional Planning Commission," or something similar.

Chair Kirkpatrick:

Yes, the Southern Nevada Regional Planning Commission. The one thing I would ask of the Committee is to look at that as far as board members. There are a lot more board members, and I do not know that all of them are actually elected. I would ask you to look at that. I believe that we should have some independence, because it seems that it could get very political, and this should be about policy. I will make those notations.

Section 9 is a pretty lengthy section, so we will just talk about section 9 at this time. Does anybody have any questions? [No one did.]

Okay, I do. In reference to section 10, page 5 of Senate Bill 501, I have a couple of different questions. Where you talk about the pledge that is equal to the tax pursuant to NRS 363B.110 [page 5 of the bill], my concern is with line 25. It says the pledge of "Any other revenue authorized by the Legislature." So, that is telling me for the future, if we authorize any different taxes, that you would pledge those as well as any special assessments levied. So, this pertains to our Live Entertainment Tax (LET) and our MBT. I kept hearing before the presentation that these are increments, and this is 100 percent of what we currently have. I do not know who that provision pertains to; and if it pertains to all three of you, I need to understand.

Yesterday, I saw a bill drop. It is Senate Bill 502, where we are pledging more revenues. We are hoping to change the tax structure for the long-term. What happens to your bond? I do not know who wants to answer that question.

Port Telles:

Madam Chair, that is our section from the City of Las Vegas. Our intention was to capture the increment, not the existing tax. So that is something that would need to be changed.

Chair Kirkpatrick:

Okay, and then what would be the "Any other authorized revenue by the Legislature"? Would that include our future tax structure changes? Let me tell you, this Committee just spent a lot of time talking about services tax. The talk, at least from this Committee's discussion, was that if you paid LET, you would still have to pay the services tax. This tells me that we could not require that with any other revenues.

Is that not clear? I will try again.

The LET is tied up now because it has been pledged. I get that, but if we talked about the Services Tax charging a 1 percent tax on ticket sales, this language would not allow us to do that. Is that something that was considered? Yesterday, I learned that S.B. 502 allows for 12 percent surcharge; I do not want the future legislators' hands to be tied. If you do not have the answer, you can get it to us today. Those are some of the issues we have to discuss in my opinion.

Port Telles:

We would like to get back to you on that question. Our intention was to have a uniformity in the taxing.

Chair Kirkpatrick:

That needs to be, because I believe that during the interim, we are going to consider a structured change to the taxes, and we are going to continue to talk about it.

Port Telles:

Okay, thank you.

Chair Kirkpatrick:

Okay, Ms. Neal.

Assemblywoman Neal:

Thanks Madam Chair. I have a question about section 9, subsection 1, paragraph (b). I just need some clarification. Section 8 says there is a governing board, but in section 9, subsection 1, paragraph (b) you have the language "Without any election, acquire, improve and equip" So, the first part of my question is what does "without any election" mean? Does that mean that when it comes to the second phase or an additional phase where you are acquiring or improving the property, the board will not participate in the discussion?

The second part goes to the last sentence of that paragraph, where it says, "The event facility project may be owned by the county, another governmental entity or any other person, or any combination thereof." That language says to me that the scope that is possible is that it could be two private owners, excluding a public entity being a part of this. That was in the original, and it is in the mock-up amendment.

Port Telles:

The language "without an election" does not mean the county would not be voting on it. That was not the intention of the language. Does that answer your question?

Assemblywoman Neal:

It was not clear, because I wondered what does "without any election" mean? Why does the language need to be there at the beginning? What does it indicate? That is why I was seeking clarification.

David Goldwater, representing The Cordish Company, West Sacramento, California:

Because this is the creation of a district, this language is very similar to all other tax districts, such as special improvement districts and the like. This just allows the latitude for a facilities district, which is what we are talking about creating.

Chair Kirkpatrick:

Would it be safe to say that it does not mean the creation of this district has to go to a vote of the people?

David Goldwater:

It does not require a vote of the people.

Chair Kirkpatrick:

I think that is what the language is referring to, Ms. Neal.

Assemblywoman Neal:

Could you address the last sentence and the ability to have certain combinations of ownership?

David Goldwater:

I think Mr. Telles can speak to this. We spoke to it before. The downtown project, as it is conceived, would be owned by the City of Las Vegas. That deal is not consummated, but I think in the vision we have of the downtown project, it would be public ownership, making it a public asset.

Assemblywoman Neal:

Okay. The only reason I ask that is because it seems—and this is just me fleshing it out—if the part where “acquire, improve or equip,” which means you may be adding on to a facility, and then additional ownership components may be created to those acquisitions, which raised my concerns. Just because the City of Las Vegas was a part of the original contract, and then you go on and acquire another building or an additional piece, was it saying there could be two private entities who own that portion? Can that be construed that way?

David Goldwater:

This is within the district that is created. If you are talking about acquisition of something outside the district, with this language, I do not think that would be possible.

Chair Kirkpatrick:

Mr. Livermore.

Assemblyman Livermore:

Thank you Madam Chair. My question goes to the following sentence that is section 9, subsection 1, paragraph (c), subparagraph (1): “The pledge of a single percentage specified in the ordinance, which must not exceed 75 percent, of” Is there a reopening time? How long would you perceive this tax being in place?

Chair Kirkpatrick:

I think this talks about the increment of the 75 percent that you would be getting, correct?

Assemblyman Livermore:

That is correct. But my question is, how long do you perceive that pledge being in place, and is there an ability to reopen it? Maybe the amount you will receive will exceed what your real need is or could be. Given a large sum of money, a tax or something that is not conceived in this bill, you would think that a county, a university, or something like that may have an opportunity to revisit that percentage.

Port Telles:

This is really a market issue. To bond the revenues, the time frame would need to be somewhere between 20 and 30 years. We would not need 40 years, and that is not the intention, nor is the intention to be able to reopen the legislation or to apply it to something else or additional uses or construction. It would be used for the arena, and it would be used once.

Assemblyman Livermore:

So, do you not see it sunseting at any time?

Chair Kirkpatrick:

Mr. Livermore, there are two things with which I will help out Mr. Goldwater. There are three different dates within the bill. Section 14 says that after 25 years you have to go back and reevaluate the revenue. However, the last section of the bill says that this is good until 2061. But there is also a section in the bill that I have not figured out that references 2051 [section 12]. I am not sure whether that is a typographical error. However, based on the entirety of this bill, I believe that it [the authority] would stay in place for 40 years. However, after 25 years, which is in section 14, the funding will have to go back for an evaluation, which is consistent with the way they have done it in other states.

Assemblyman Livermore:

I appreciate that, Madam Chair. From what I have heard here, I cannot recall where, but after 65 years, the city, the county, or the University would own the facility. I was assuming the tax would go on for 65 years.

Chair Kirkpatrick:

Mr. Anderson.

Assemblyman Anderson:

Thank you, Madam Chair. I have a lot of questions about this section because, with many of the other sections, you are not necessarily talking about an area where businesses may exist already and where you may have existing taxpayers. My question is twofold: Are you going to be replacing any businesses or anything else in the redevelopment area, and would that be an eminent domain process? Secondly, looking at the special assessment on parking spaces, is that going to affect any casinos downtown or anybody else who may be in its range?

Port Telles:

Symphony Park, as I mentioned, is on 62 acres. The horizontal infrastructure is in, but much of the vertical buildings have not yet been built. Our land has been identified as roughly 13 acres—it is 12.9 acres—in Symphony Park. There would be absolutely no eminent domain as part of our project. The land is already designated, and we have enough land to build the project we proposed.

As it relates to the parking question you raised, the arena is going to be a significant boost for the downtown area, and with this legislation, we are

attempting to capture the incremental revenues that we are creating so that it pays for the facility. We are not asking to go beyond that.

David Goldwater:

If I may build on that, Mr. Anderson. Considering what has happened in other locales, it would affect many of the properties downtown, but in a positive way. There is a logical nexus to charge that assessment because when this facility is built and there is demand for parking downtown, the private landowners will, in fact, be charging for the parking. They will charge in excess of the assessment contained in the bill. In the bill, we are trying to capture a little bit of what would be a windfall to everybody else.

Chair Kirkpatrick:

Ms. Neal.

Assemblywoman Neal:

Thanks, Madam Chair. In the presentation yesterday, the City of Las Vegas stated their expectation to cover what could be a \$400 million project. The expectation was that the retail sales would cover up to 50 percent, right, or at least \$200 million? So, what happens if you fall short of your retail sales, and you are not able to cover that 50 percent? The bill [with the proposed amendment]—and this is not necessarily in section 9—took out that default language, but it had a maturity date. If you failed to make the timely payment—and I do not know what the payment structure is—will it mature immediately?

David Goldwater:

Are you saying . . . ?

Assemblywoman Neal:

Let us say you fall short in the first three years and are unable to pay anything. You do your feasibility study, and if you find out that you only have 30 percent of your retail sales, what is the payment structure. And if you cannot pay, does the debt mature immediately, where you now have to give back the full sum?

Chair Kirkpatrick:

And I would like you to also address section 46, because section 46 relates to revenue bonds, for which the cities or the county become liable. [The amendatory language in section 46 authorizes an “event facility project” to be financed pursuant to the Consolidated Local Improvements Law.] It depends on what type of bond that you get, which is going to be a question for all of you. That was never part of my discussions, but it [the inclusion of an “event facility project”] magically appeared in section 46. What is the structure of these bonds?

David Goldwater:

I think what you are asking is what happens after a municipal underwriter assesses all the revenues that are available and then that money does not come in. Those are all found in the bond covenants. The underwriting of the bonds is a market function: whether or not there is a covenant that says the principal is due immediately, if the covenants are broken, is up to whomever underwrites those bonds. What happens when the bond does not pay or a specific revenue is not done is part of the deal that the developer and his partner—the city—makes with the bond underwriter.

The city has asked for the ability to underwrite these with a “general obligation backstop”; it is an important tool in this process to have that ability for the city or municipality to be able to pledge its faith and credit. It would take some of the risk of default out of these bonds and lower a lot of the administrative costs for financing if they can do that. It is a concept that was used in building the Smith Center and was one of the things that made the project absolutely feasible as opposed to being unfeasible without it. It has been a very successful model. It has been used downtown. That obligation has been granted by the city in addition to the revenue.

Chair Kirkpatrick:

This does apply to everybody, so everybody is going to have to answer that same question as we get to it. I know there is some crazy rumor out there that I am opposed to this bill as a whole. I am not, but I want the policy to be right, because we are putting people on the hook for a very long time. This is a decision that will affect future legislators. In my mind, if the policy is not right or the legislative intent is not clear, then I do not support the bill. However, if we can establish the policy and know what the intent is, we can feel comfortable about what we are doing. I want everybody to ask that question, because this section applies to everybody. I understand from the past that if there are general obligation funds, then the city or the taxpayers or the county are the ones who would be responsible.

Mark Fiorentino:

Madam Chair, I want to partially answer that question. This section does not apply to our project. When you get to our proposal, we will point out the separate reference. This reference applies only to the first two options. To translate that for you, we are not suggesting a general obligation backstop for our project. Unlike the other two projects, the backstop in our project . . .

Chair Kirkpatrick:

Mr. Fiorentino, just stick to yours. You all will eat your own. I just want everybody to talk about their project.

Mark Fiorentino:

You cut me off right before I was about to eat my own. The backstop in the UNLV project is Majestic Realty.

Chair Kirkpatrick:

Perfect. Thank you. I just do not want everybody else to do that, because then they will be picking on somebody else's project. Mr. Care.

Terry Care, representing Las Vegas National Sports Center:

Mr. Fiorentino is correct. Section 9 pertains only to what the city wishes to do here. But because this is a subject we are obviously going to get into, whether it is section 46 or section 13, our position has been, and the language we requested was, that there be no recourse against the taxpayer, none. We understand the sensitivity on that issue. Mr. Milam can amplify that when the time comes.

Chair Kirkpatrick:

Okay. Ms. Benitez-Thompson.

Assemblywoman Benitez-Thompson:

Thank you, Madam Chair. I am trying to figure out where we end up regarding the dollar figure assigned to the abatement. I have for section 9, which applies to you folks, all of the Nevada Revised Statutes where you ask for 75 percent of the proceeds of the taxes imposed pursuant to NRS 372.105 and NRS 372.185. This is all in the mock-up ([Exhibit C](#)), page 2, lines 31 and on.

And then there is the deduction of 1.75 percent of the proceeds of the different taxes that are listed there. On page 3, lines 1 through 5, is the pledge amount for NRS 363B.110. I would like to know how all of those add up. What are your potential revenues for each of those, and what does the abatement actually look like? I think something that I am going to be asked by my constituents is, what is the final dollar amount in abatements that you are asking for? You have run the numbers, right? You have calculated how much potential revenue you might have, and then you would get the tax numbers, and we would know what the deductions are, right?

David Goldwater:

Just to make sure we are clear on the question . . .

Assemblywoman Benitez-Thompson:

I would like a dollar amount.

David Goldwater:

That would be kind of the pro forma of what these pledges are. We are not asking for taxes to be abated.

Assemblywoman Benitez-Thompson:

Let us go to the first paragraph [[Exhibit C](#), page 2, lines 29 and 30]. The pledge would not exceed 75 percent of . . . , followed by lines 31 through 38. What is that number for those tax codes that are affected?

Port Telles:

I want to respond to a prior question. Is that okay?

The only thing that we are asking for is that the elected city officials would have the opportunity to make that decision [concerning the use of general obligation-backed revenue bonds], which they already currently have. We are not asking for anything new, we are just asking that the ability not be taken out, which was written in the legislation.

Chair Kirkpatrick:

It may be in the redevelopment, but if you go to section 46, it is a new piece. I do not know how much you know about local government, but if you give it to them, they will take it. From our perspective, it is not a "maybe," because they are going to do it. They will do it before we are out of session. That just has to be the truth of the situation.

Port Telles:

To be specific as it relates to us, we are just asking to maintain what we already have. We are not asking for anything new.

Chair Kirkpatrick:

Do you have numbers for Ms. Benitez-Thompson, or do you want to get those to her later?

Port Telles:

I am happy to email them if you like. Do you want me to talk about them now, or what is your preference?

Assemblywoman Benitez-Thompson:

I would like to have that on the record.

Port Telles:

Right now? Okay.

You asked about the incremental taxation. That would generate roughly \$25 million in bondable capacity from the sales.

Assemblywoman Benitez-Thompson:

And then the pledge amount of 75 percent would be

Chair Kirkpatrick:

Ms. Benitez-Thompson, I believe this is set up currently how Sales Tax Anticipated Revenue (STAR) Bonds are set up.

Port Telles:

That is correct. Presently, we are anticipating it will be about 3.2 percent of the sales within the district that we would capture in total, after adding all the other taxes together.

Chair Kirkpatrick:

I think she is asking that, the way that this is written, you get 75 percent of the sales tax that comes in from the dollars generated. You get 75 percent of it to pay yourself back. Based on that 75 percent, what do you believe that the number is for the course of the bond? Is that what you are asking, Ms. Benitez-Thompson?

Port Telles:

The number is \$25 million.

Chair Kirkpatrick:

And \$25 million is just on the sales tax portion over the course of 40 years, correct?

Port Telles:

No, that is not over 40 years. It is over a shorter period of time.

Chair Kirkpatrick:

Maybe a spreadsheet would be better, but here is what we are trying to get to: we want to know, because from our perspective—and Ms. Benitez-Thompson, I do not want to speak for you—when we do this, Consolidated Tax dollars change for everybody because you have now basically frozen the base. The way this reads, if you get 75 percent of the sales tax dollars that are generated, you have essentially stopped us from using those.

David Goldwater:

I think what would be helpful to answer Ms. Benitez-Thompson's question is sort of a pro forma of what we have, based on this bill or the tax revenue that

we get from each increment. Unlike STAR bonds, this bill contemplates the Local School Support Tax (LSST) being completely out. The state will always get [benefit from] 100 percent of the LSST, and it will grow with the advent of these arenas. It is right to think of the projects within the same framework, but not exactly the same. In fact, this project is very good, particularly from the perspective of downtown. As we hear from other developers, do not forget the context in which the city's portion in section 9 is being done. We want it to be financially equal. This is being done in a blighted area where commerce and business is not quite as robust. If we are going to maintain equal footing, we want to maintain financial equal footing. In a depressed area, that is a little more challenging.

Chair Kirkpatrick:

Okay, Ms. Benitez-Thompson.

Assemblywoman Benitez-Thompson:

This is information that I want to know from all of the different projects. I think it is very easy to, on the record, talk about, "Oh, it is just 75 percent," or "It is just a 1.75 percent pledge." What it boils down to is millions of dollars that the city is not collecting. It is not going back to the city, so we have to have an answer for the taxpayers about what that number is and why that number makes good sense. This is what I want to know from every project. Please send over those numbers, but I think it is important to have them on the record, as well.

Chair Kirkpatrick:

When they give you a copy, we will post them on NELIS so that it is clear.

Mr. Goldwater, I do not even know how to read these sections because they all run together. Page 3, line 34 of the mock-up ([Exhibit C](#)) talks about the special assessment of not more than \$1,000 on each privately owned parking space. You testified that there are 12,000 parking spaces. This says ". . . within 3,000 feet of the event facility . . . " Is that not about a half a mile? That would actually allow you to capture all of the parking downtown. Also, this does not say if it is \$1,000 per year, month, game, or season. I am wondering how that assessment works.

David Goldwater:

Madam Chair, I think whatever limitation you want to put into state statute, I am sure the city ordinance, when this is enacted, would clarify that as well and probably give them flexibility. The 3,000-foot radius is the zone of effect for an arena, and that was the logic behind the nexus.

Chair Kirkpatrick:

I just want to be clear, because I know downtown. If this was in Symphony Park, it could capture, depending on how the master plan was laid out, some of the downtown parking.

David Goldwater:

And they would all benefit from it. I own some property downtown. I would be thrilled to pay this if it were in the impact zone, knowing that when I had an NBA game or an event, I would be able to charge and make money from available parking spaces.

Chair Kirkpatrick:

I pay a lot of parking tickets downtown at the meters because the parking garages are pretty much full or very expensive to currently use. We have to take into consideration the downtown workers paying to park, because if some of this is tied up, then there will not be places for them to park either. I have a kid who works down there. That is her biggest thing. She is now taking the bus, which is a good thing, because the parking is expensive. You have an office there.

David Goldwater:

Madam Chair, I concur with you, and I think that is true of not only any potential downtown facility, but also of any map. I pay a heck of a lot to park at the University, as well.

Chair Kirkpatrick:

Ms. Flores.

Assemblywoman Flores:

Thank you, Madam Chair. I want to follow up on Ms. Benitez-Thompson's line of questioning. I want to make sure I understand this correctly. Currently, the projects are all slated for areas that are vacant, and we would be creating districts, correct? We are asking for some solid numbers, but to a certain extent, it is really speculating on what you think they might be, because currently those areas are generating absolutely nothing in revenue because they are all vacant parcels. We want to find out what is going to potentially come in.

Did you look at comparable areas in other similarly situated arena projects? How would you necessarily come up with the dollar figure of \$25 million as a bonding capacity? I want to be clear that this area is generating nothing in revenue. Therefore, it is not necessarily that we are diverting anything because

nothing is currently being generated. How would you figure out what would actually come in?

Port Telles:

We have done studies on this and compared other arenas across the country based on what they generate in sales. That is what we based our numbers on in our projections. We have 142 event nights.

Also, to clarify, there was a comment about retail sales. We are talking about the income generated from the arena itself, and not necessarily the retail around the property. Much of the sales would be generated within the arena itself. That is derived during the event nights.

Assemblywoman Flores:

The only thing that we would be keeping, whether it is the 75 percent—and I believe it is 100 percent in other parts of the bill for other projects—comes just within that district. Therefore, the state would be benefitting by getting the revenue from the surrounding retail and development that occurs from the general area. Is that correct?

Port Telles:

That is a great point. That is absolutely true.

David Goldwater:

In addition, the LSST is excluded from the bill. You would be very happy when the LSST expands. That portion of the sales tax expands because of this work.

Chair Kirkpatrick:

Mr. Anderson.

Assemblyman Anderson:

Thank you, Madam Chair. I will ask this question of every team that comes up here to pitch its arena. Can you talk about what you are planning on for labor? Are you planning to hire Nevada workers? I see that NRS Chapter 338 is referenced in section 15. I want to ask you the same specific question that I asked of the UNLV folks. Is this considered a public work, because you talked about the City of Las Vegas having ownership. How might the rest of the NRS Chapter 338 language apply besides the prevailing wage sections and all the other applicable public works statutes in NRS?

David Goldwater:

The City of Las Vegas has passed an ordinance that has a local hiring preference. The city will abide by all the statutes contained in

NRS Chapter 338, and if the project is deemed a public work, it will be built by following everything that is required under public works statutes.

Chair Kirkpatrick:

Let me ask another question. On page 3, line 15 through 18 of the mock-up ([Exhibit C](#)), what is the federal code that we are referring to?

David Goldwater:

I think that has to do with enterprise communities.

Chair Kirkpatrick:

So, within that enterprise community, there is a specific sales and use tax increment. How does that play into the overall increment that you say is going to be generated for everybody else?

David Goldwater:

Can you ask that question one more time? I do not quite understand it.

Chair Kirkpatrick:

I just heard you tell Ms. Flores that the increment would go up, and we would generate additional dollars. In lines 15 through 17, there is now a carveout for a specific enterprise community within that, and it does not even say how much it is.

David Goldwater:

I am not answering this definitively, but I can give you my take on it. If an enterprise district has already been carved out, then it is excluded from being in this district. If there is a different answer to that, I will get that to you in writing posthaste.

Chair Kirkpatrick:

In section 9, at the top of page 3, NRS 363B.110 is the nonfinancial MBT. Why did you not include all of it? Why did you pick one over the other?

David Goldwater:

Originally, MBT was not contemplated in section 9. It appears with that portion of the bill, now that it is in, the goal was to make it financially equal and not just geographically equal. There are other push-pulls in here. I think that, including that portion of the MBT, only helped. I think it was the sponsor's effort to try to create some financial equality in the ability to compete for a project.

Chair Kirkpatrick:

Are there any other questions? Ms. Neal.

Assemblywoman Neal:

Thanks, Madam Chair. You are going to come back with an answer to that provision, the language in there which says, “. . . which is currently or was previously established.” So, because it is just an enterprise community . . . I have an idea of where the sponsor was going, but there are two enterprise designations. There is one, I think, off North Martin Luther King Boulevard. It is near the Federal Bureau of Investigation Building. It is the enterprise community that includes Cox Communications and is known as the Southern Nevada Enterprise Community (SNEC) area. Because that language was included in the bill, it has to be contiguous. If the designation can now be within the boundaries of the enterprise community, how does this affect the enterprise community? The area that you were looking at, is that enterprise?

Scott Adams, Chief Urban Redevelopment Officer, City of Las Vegas:

Section 9, subsection 1, paragraph (2), subparagraph (1) simply indicates that the sales tax increment area that we previously discussed can be inside the SNEC. There is only one SNEC. It actually goes back to the 1990s, when the city participated in the federal Empowerment Zone program and was awarded an enterprise community. We have carried that designation forward with state legislation and called it the Southern Nevada Enterprise Community. It is a fairly large area. I think it comprises something like nine distressed Census tracts in the City of Las Vegas.

This simply states that that sales tax increment area can be located inside the SNEC. Section 9, subsection 1, paragraph (2), subparagraph (2) states that this new sales tax increment area that we are establishing for the arena and an existing tax increment district are mutually exclusive. You cannot have one inside the other. You cannot “double-dip.”

Chair Kirkpatrick:

Ms. Benitez-Thompson.

Assemblywoman Benitez-Thompson:

I am sorry. I got confused by something. We were discussing paragraph (e) [page 3, lines 34 to 38 of the “mock-up”] earlier, which is the \$1,000 per parking space that the county shall collect, right?

David Goldwater:

Yes. We discussed that.

Assemblywoman Benitez-Thompson:

But above, in line 9, the county has to pledge the proceeds from that assessment to this project. Am I reading that right? Does the county collect that money or not? Line 9 begins, "(4) The pledge of the proceeds of a special assessment levied pursuant to paragraph (e) . . . ;" and paragraph (e) is the \$1,000 parking space. It is on page 3. I just want to be clear for the record.

David Goldwater:

Clark County would establish the special assessment, collect it, and then pledge those monies.

Assemblywoman Benitez-Thompson:

So, the county would not be receiving those. They have to be pledged.

David Goldwater:

They are not keeping the money. It gets pledged.

Assemblywoman Benitez-Thompson:

It is pledged. Okay. I just wanted that to be clear.

Chair Kirkpatrick:

Being as how we talked about the double-dip, it has always at least been a policy of mine that if you get one thing, you do not get another. In this particular thing, would the land have been donated, purchased at a reduced amount, or is there any special thing going on with the land? For instance, I have always put legislation in that said if you receive something else from a governmental entity you cannot do this. That has been a consistent policy requirement I have used since 2005. If I were to put that language in, and then you were given the land downtown or given it for a reduced cost, would that be affecting you?

David Goldwater:

Madam Chair, I believe Mr. Telles has said on the record that his project contemplates the elected officials in the City of Las Vegas providing him the land at a zero basis in return for the work they are doing. Down the line, the city would eventually own that asset.

Chair Kirkpatrick:

Okay, thanks. Mr. Goedhart.

Assemblyman Goedhart:

In relation to what you had said, then this type of project would not also be eligible for the Leadership in Energy and Environmental Design (LEED) discount. [There was no audible response.] All right, thank you.

Chair Kirkpatrick:

Okay, are there any other questions on section 9? Ms. Pierce.

Assemblywoman Pierce:

My question is in reference to the parking spaces. What does this last part of section 9, subsection 1, paragraph (e) mean, where it reads, ". . . the assessment is a lien upon the property"? I do not understand that.

David Goldwater:

I think that it is like any other assessment. If there is money due on it, because it is an assessment on private property, it creates a place for a lien. You would collect it as you would a construction lien or any other lien, by filing with the county clerk.

Assemblywoman Pierce:

Okay, now I understand. Thank you.

Chair Kirkpatrick:

Mr. Livermore.

Assemblyman Livermore:

Thank you, Madam Chair. Along that same line of questioning regarding the parking spaces, it does not say that private parking spaces are necessarily used for the event. If I had, say, a liquor store with eight parking spaces, are you going to tell me that I am going to have to pay \$1,000 on each of those because they are within 3,000 feet of the facility?

David Goldwater:

This bill contemplates that you would have to do that if you were within 3,000 feet of the arena.

Assemblyman Livermore:

Even though it is not purposely used for the event?

David Goldwater:

That is correct, but having gone to an arena or two myself, a liquor store within 3,000 feet of an arena is probably in a very good location. In addition, I think

most of this contemplates—and again, we are not pushing for one side over another—an ordinance being passed to consider those kinds of issues as well.

Assemblyman Livermore:

I do not know the relation of the three different locations or how many existing businesses would fall under that provision, but I think that is very unfair taxation of existing businesses. Those have existed for however long, but then you come and build a facility and demand that they pay \$1,000 for each parking space.

David Goldwater:

I think you make an excellent point. The goal and the rationale behind it is to create that impact area. Because Cordish just built an arena, let us assume, and now downtown property owners have the ability to charge money for parking. This happens a lot downtown today. Now, that is an unanticipated windfall on certain nights. This provision contemplates, because of this windfall, we should be able to capture a small part of that for the positive impact that it had on your business.

Assemblyman Livermore:

So, you think that any businessperson would take the opportunity to make an income from it. What if, in the same scenario I just mentioned, the owner fenced his parking lot during events to protect his property?

David Goldwater:

Mr. Livermore, I think that is a challenge, and I think that any aggrieved business owner or constituent would have the right, if this enabling legislation were passed, to take those grievances to their elected city members and tell them that they do not think that this is a good idea. In fact, I am pretty sure that is going to happen regardless of which project is chosen.

Chair Kirkpatrick:

Committee, we have to be on floor at 11:00 a.m., so I want to keep going. Mr. Anderson.

Assemblyman Anderson:

Thank you Madam Chair. I am sorry to beat the dead parking horse, but I am concerned about the clarity. Is it just one special assessment? Is it an annual special assessment? I think you could make an argument, if you are talking about parking spaces that are being rented out and sold, that someone is making money off of those parking spaces from people going to the arena.

To go back to the point of my colleague from Carson City, how do you know the liquor store within 3,000 feet is going to be making money for sure? I do not know anybody who stops at the liquor store on the way to the game. You cannot bring liquor into the game, right?

David Goldwater:

Within the assessment district, there is a person who will determine the relative benefit of any one location over another, and then the assessments are made accordingly. It is not equal all the way through.

Chair Kirkpatrick:

Honestly, that is something that just needs to be defined at another time so that people know the rules going forward. Mr. Ellison.

Assemblyman Ellison:

Thank you, Madam Chair. Ms. Neal had a great question. I do not want the answer right now, but if you could get it back to us

If there is an assessment district, I would like to make sure that something does not overlap another. Could you look into that and then let us know? Thank you.

Chair Kirkpatrick:

Are there any other questions for section 9? [There were none.] I believe that section 9 was the bulk of your testimony. What I do want to throw out there, though, is our state has always given a 0.25 percent [the sales tax collection allowance] to the retail folks. We had this discussion during services tax to help pay for software upgrades. The state is broke, and I believe we are going to need some dollars to pay to upgrade our software before we can even do this. I do not want to speak on behalf of the Department of Taxation, but this is where we are going to turn around the situation, and you folks are going to help us pay for the software, because I believe it is going to take a while to get it into place. Before tomorrow, I would like you to consider that. It is nowhere in the bill. I would hope our fiscal note is at least \$1 million, because we must have the software in place for at least 25 years. I just want you to go back to your folks and determine whether or not that is a problem for you to help us craft language to include in here.

David Goldwater:

Madam Chair, is that the 1.75 percent?

Chair Kirkpatrick:

No, that is currently not in the bill. I am asking for any of you folks who are awarded a contract to pay the state to upgrade our software, because we are doing this for you guys, not because we need it.

Mr. Leiser, can I ask you a question on a section and see if that is something that you guys had intended? I want to make sure that it is enough.

In section 9, there is a 1.75 percent pledge. I am not sure what that is for. That is not yours, is it?

David Goldwater:

It looks like a 1.75 percent pledge for the administration of this program.

Chair Kirkpatrick:

But that does not say it is for the administration of the state. I wonder if it is for the administration of local government. I do not know. Did the Department of Taxation ask for something like that to be put in there? You should have gone higher if that is the case.

Brody Leiser, Deputy Executive Director, Nevada Department of Taxation

That 1.75 percent is the General Fund commission. It is compensation to the state for collecting tax distributed to an account other than the General Fund. That exists in current statute. For the majority, it is in Sales and Use Tax. For the components that go to the local governments, the state retains a General Fund commission.

Chair Kirkpatrick:

So, does this help our software issue?

Brody Leiser:

No.

Chair Kirkpatrick:

Okay, that is what I thought. This just helps us make sure that everything is consistent.

Brody Leiser:

That is correct. I know that you are not there yet, but section 38, subsection 2, paragraph (b) is under a different proposal. I know you are on section 9 right now, but section 38, subsection 2, paragraph (b) would allow for a 1 percent administrative fee. The way that I read that section, that 1 percent would be able to be retained by the agency.

Chair Kirkpatrick:

Okay, we will ask them when they come up. Thank you, Mr. Leiser. Are there any questions that you would like Mr. Goldwater to get the answers for before tomorrow morning? Ms. Neal.

Assemblywoman Neal:

I have two questions. In the 25 percent that you guys are going to come up with, what is the source of those funds? Also, for SNEC, which is encompassed, how will the Sales Tax be used or brought back into that community? In what form is that community going to see the return, because their sales tax will be used as a pledge or a portion of it? That is for tomorrow. Do you understand what I am asking?

David Goldwater:

I think I understand what you are asking. We will get an answer for that question.

Chair Kirkpatrick:

Are there any other questions? [There were none.] Will you make sure that Ms. Benitez-Thompson gets the projections as well? [There was no audible response.]

We are going to move on to section 10.

Port Telles:

Madam Chair, may I make one closing comment?

Chair Kirkpatrick:

Uh-huh.

Port Telles:

I just want to be clear for the record that when I say that the city is going to be contributing the land, they are going to be contributing the land to the project. Under the analysis we have done, if you pay for the land, the project does not work. So it helps to fill the gap that exists in the financing. Again, we anticipate the city being one of the primary owners of the project. The Cordish Company will not be given the land, nor will it own the project.

Chair Kirkpatrick:

That is fine. It has just been consistent language that I have put in every single thing that I have done, and I know Mr. [Scott] Adams says that about me. I always put it in there. I just wanted to be clear that, if it was in there, that might cause a whole bunch of problems for everybody.

Port Telles:

Thank you, Madam Chair.

Chair Kirkpatrick:

Okay. Mr. Care, are you going to address section 10?

Terry Care:

Good morning, Madam Chair and members of the Committee. To save some time with section 10, which pertains to us [the Las Vegas National Sports Center], and to answer some questions that came up previously that I anticipate here—and I think it was Ms. Neal who focused on the language in section 9, subsection 1, paragraph (b)—there is parallel language in section 10, subsection 1, paragraph (b). I think I can answer a question in advance. That language is not language that we asked for. This is the language that reads, “. . . without any election, acquire, approve . . . ,” and so on. That language actually exists elsewhere in statute. You will find it in NRS Chapter 271A, which is the tourism improvement district. I think, to some degree, what is in here is the result of the bill drafters wanting to have consistent language throughout the NRS.

I think that led to the question about being “privately owned.” This project is privately owned. There would be no vote of the people. We anticipate the bill passing, Clark County adopting the ordinance, and us going to work.

Ms. Flores is correct. The property is 63 vacant acres. What we contemplate is not taking any existing taxes. It is the revenues—not all, some, because there would be some that we would pass through—that would be generated and used for pledging purposes. A lot of that would be passed through. To save some time, I think I could answer those questions now before they come up.

Chair Kirkpatrick:

Are there any questions? Mr. Munford.

Assemblyman Munford:

In other words, you are telling us that you almost have your own funding in place. Is that correct? You are almost shovel-ready. Is that correct?

Christopher Milam:

We are. The vast majority of the money for the project is private, and we have been deeply involved in it for two years. We assume, if we get out of the Legislature successfully next week, a 90-day process with Clark County would allow us to be under construction in November.

Assemblyman Munford:

Thank you.

Chair Kirkpatrick:

Ms. Neal.

Assemblywoman Neal:

Thanks, Madam Chair. Although this does not necessarily deal with section 10, do you have an employment plan? What is in it?

Christopher Milam:

We signed a community workforce agreement (CWA) with the Southern Nevada Building Contractors almost a year ago ([Exhibit G](#)). A CWA is a private form of a project labor agreement (PLA). That is in place.

In the most recent draft of this legislation, there was substantial additional language entered, which, I believe, applies to all three of the proponents with respect to public bidding, minority hiring, and related issues.

Assemblywoman Neal:

Is there any way you could email us a copy of that?

Christopher Milam:

The CWA?

Assemblywoman Neal:

The actual agreement with the changes.

Christopher Milam:

Sure. I believe it is not a problem.

Assemblywoman Neal:

Thanks.

Chair Kirkpatrick:

Are there any other questions? [There were none.]

I have a couple of questions on section 10, which tells me that if you are ready to get going by November, you already have your plans through the Planning Commission process and the local government process. All of that is done, and all of your parking and off-site improvements have been approved.

Christopher Milam:

No, Madam Chair. That is why I said we expect a 60- to 90-day process with Clark County. We will run the request for the ordinance and district creation concurrently with . . . We will have to go through a local town board, the Planning and Zoning Commission, and the Clark County Commission for entitlements and also address staff with respect to traffic and parking.

Chair Kirkpatrick:

I spoke to the Senator Horsford about this. There has to be a time frame on here, because we have been down this road before, and we cannot calculate the biennium loss if we do not have a time frame on when some of this is going to begin. In the last session, a bill said 18 months, which Senator Horsford and I talked about. There has to be some accountability.

Christopher Milam:

I understand. Those time frames were not at our request. For us, they are much too long. We would like the county commission to hear the request within 30 days and act within 60 days. Currently, they can wait until October.

From the date the ordinance is passed and the district is created, 12 months is enough time for us. Like I said, I think within five or six months we will be under construction, but 12 months is more than adequate.

Chair Kirkpatrick:

Within the project that you gave, there are some projected numbers. I have always been critical of actually seeing the real bodies out there. Do you have a staffing plan in place? How many of those 9,000 workers will actually be working? Can you add that to Ms. Neal's request?

Christopher Milam:

We have highly detailed schedules. I do not know whether they have staffing plans associated with them, but we can certainly provide you the design, preconstruction, and construction schedules. They are about 30 pages. It is pretty implicit in the context of beginning the preconstruction and construction work on the different venues to ramp-up.

Chair Kirkpatrick:

Currently, within our statutes and the way our economic development works, most of our abatements are based on the quarters. By the third quarter, you must have this many employees working. We have to go back home, and everyone asks, "Where are the jobs that you promised?" I always ask for that information so that when people ask, I can give an answer. Many times, those promises do not actually pan out. Ms. Flores.

Assemblywoman Flores:

Thank you, Madam Chair. I want to make sure I understand this correctly. In the last section we were talking about, it was capped at 75 percent of the revenue that would be generated from this district. None of you have that cap. It is an amount equal to the proceeds. What is the distinction between those two relative to the revenue that would be coming back? Why do you have it at all of the revenue that is being produced from that particular district? Is there something else, or are you just keeping 100 percent of it?

Christopher Milam:

It is a totally different concept. Cordish, in section 9, pulled from a different part of the *Nevada Revised Statutes* (NRS). If I can ask, Madam Chair, I have Mr. Sheets, Mr. Restrepo, and Mr. Snyder behind me. They can help fill out the answers to the question.

Chair Kirkpatrick:

That would be great.

Christopher Milam:

I will give you a general response. We have, if you will, "shrink-wrapped" our district around our three buildings. Consequently, it is very small. It is actually the size of the 63-acre site. The site is currently vacant, and we have asked for a portion of the increment only for a limited number of taxes generated from that site. There is literally nothing there. It is not a large area that already exists with a lot of other taxes and districts. Literally, there is no redevelopment area; there is no tourism improvement district; there are no buildings; there is no business; and there is no revenue. There is nothing.

Our entire section consists of a single page; it is very simple.

Assemblywoman Flores:

You are keeping everything, as opposed to the other proposal, which is not keeping everything.

Christopher Milam:

I will respond very specifically for the record. We approached it in a different way.

Assemblywoman Flores:

I would like to clarify. All of the proposed projects are vacant. Why do you want it all while others are proposing less?

Christopher Milam:

I should not talk about section 9, because it is not my section. The 1.75 percent was applicable to their district as previously defined prior to Senator Horsford's modification. At that time, their proposal was for the entire redevelopment area of Las Vegas. It was the entire downtown of the city where they would be taking the taxes from, not just a piece of vacant land in the middle. If they had started there, it would have been much simpler. If you like, I can read what is in and what is out for our district.

We have requested the district capture a portion of the incremental Property Tax, a portion of the incremental Sales and Use Tax, the incremental MBT, the incremental LET, and a building user fee, which is an assessment we are actually putting on ourselves. That is in a separate bill, Senate Bill 502. What flow through our district as if they do not exist are the LSST, the County Mass Transportation and Air Quality Option Tax, the County Flood Control Option Tax, the County Infrastructure Option Tax, the County Sales and Use Tax of 2005, the Las Vegas Metropolitan Police Department Manpower Supplement Property Tax, the Clark County School District Operations and Maintenance Tax, and the Clark County School District Debt Property Fund. I could have used the NRS references, but it is easier to simply give the title for clarity.

Chair Kirkpatrick:

Are there any other questions? [There were none.]

Mr. Sheets, let us hear you talk about the dollar amounts. On page 5, line 1, you refer to NRS 372.105 and NRS 372.185. Those pertain to the State Sales and Use Tax, I believe. Is that correct?

Thomas Sheets, representing the Las Vegas National Sports Center:

This is much more precise and defined than what we went through in the bloodletting for the green building. *Nevada Revised Statutes* (NRS) 372.105 is personal property tax at retail [sales tax]. *Nevada Revised Statutes* 372.185 is excise tax [use tax].

Chair Kirkpatrick:

The way I read this, though, you will be taking, with the exception of the 2 percent that is required for the LSST, the additional sales tax.

Thomas Sheets:

Right. We will be taking the incremental increase in Sales and Use Tax associated with what Mr. Milam called the shrink-wrapped property. Essentially, it is the three buildings with a piece of self-contained shrink-wrap

around them. It does not expand beyond that 63-acre area, which pretty much is encompassed only by the facilities and nothing else.

Chair Kirkpatrick:

Currently, there is nothing on there. In layman's terms, it would be for the long-term. Also, to elaborate on Ms. Flores' point, the MBT and the LET are 100 percent. There is also a piece in here that says that future funds could be pledged as well. You would understand this more, being the Chairman of the Nevada Tax Commission for a long time. How do we change our tax structure if this stuff is pledged out for the future? The way that I read these amendments, no matter which project it is, it needs future revenues that the state comes up with. Quite honestly, S.B. 502 dropped yesterday. It says an event facility can get additional revenues. How would we change our tax structure based on the way this language is written? Everybody has agreed to take whatever else we do for the future.

Christopher Milam:

The last point in that clause, ". . . any other future . . . ," was not something that we entered. We were highly precise with what was in and what was out. I am not sure whether that was just a coordination issue with other legislation or is otherwise necessary for the state's purposes. For our purposes, that language is unnecessary.

If the changes going forward are with respect to the MBT, that is a relatively small number for us. If Ms. Benitez-Thompson wants to ask me the same question later with respect to revenues, I have the numbers. We can drop the MBT request as well, so that would go on the list of uncaptured tax items.

Chair Kirkpatrick:

I have learned this the hard way. We are cleaning up a bill based on bonding. Anytime that you have something in bonding, you are vested with what you agreed to within your bond covenants. To say it is a relatively small number is not necessarily the issue. It may be a small number, but the issue is that now you have bonded for something for the long-term, and you have made a commitment based on the dollars that you are projected to get.

If folks were to go out and bond tomorrow and start in a couple of days . . . Let us just say hypothetically we are in the process of passing a budget which goes to Ms. Benitez-Thompson's point—1.17 percent for larger employers and 0.63 percent in two years if it [the MBT] were sunsetted. But, the Legislature may decide to change that. Some people would pay no MBT, so how could you bond those dollars without handcuffing the state from making economic changes that are to our benefit?

Christopher Milam:

Let me be very specific. We will drop the request for the MBT. If it is eliminated, it will have no impact on us. We are only asking for three other taxes.

Chair Kirkpatrick:

Now I just need to get everybody else to drop that, too. We have done the 2 percent before in STAR bonds. We have done the property tax. Those are our consistent pieces of our revenue. Other states have 16 to 20 different taxes; we only have a handful.

Christopher Milam:

There are only three other taxes that we would bond against. They are LET, Property Tax, and Sales Tax. It is highly unlikely those would go away.

Chair Kirkpatrick:

The Live Entertainment Tax (LET) goes back to what I said on the first one. If we decide to do a services tax in the future in our state, with the way this says that any future revenues could be pledged, we could not charge a services tax based on the sales of your tickets. That is why I am saying that language is huge for the long-term of what the state can do. I would envision the LET has to be decided for the future, because we exempt people and do a lot of crazy legislation. However, we need to be able to get the additional revenue for the future.

Christopher Milam:

We will eliminate the request for the MBT. We want to be able to bond against the LET, Property Tax, and Sales Tax. Take out that last catchall ["any other revenue"]. Do what you want, and all those taxes will belong to the state. They are not pledged by us, nor do they have anything to do with us.

Chair Kirkpatrick:

If I took that language out, then the language in S.B. 502 would be moot. Whatever bill passed on the last day would be moot.

Christopher Milam:

Senate Bill 502 is very important to us.

Chair Kirkpatrick:

I am telling you that you just took out the language that would allow you to do it.

Christopher Milam:

I guess it depends on which one passes first.

Chair Kirkpatrick:

I can tell you this one is passing last for sure, because it has to come back through the Assembly.

Christopher Milam:

However we coordinate it, the assessment we are placing on ourselves constitutes about 67 percent of the total increment. Therefore, it is essential.

Chair Kirkpatrick:

It is good policy for us to look at the other bills out there. We always do that. When a bill drops five days before session ends, I pick it up and read it. Because the Senate has not heard any of these bills, we are doing it as an informational exercise to try and expedite the process.

Mr. Sheets, without direction or clear intent, it could be a real cluster at the end. I am not willing to go home and do that. Either do it the right way, or . . . I do not care if it ever makes it to the Assembly. I am not trying to kill the bill, but let us have the discussion.

Thomas Sheets:

There is a great deal of definition and clarity in this particular proposal ([Exhibit D](#)), and this is the only one I can speak to, the LVNSC. I believe I speak for the project when I say our desire would be that the intent behind the legislation is quite clear, in that the legislation is as well-defined, and as we think the project is on our side. It adds certainty and takes uncertainty away, which is quite useful for the state's taxation situation. It is certainly useful for us as project developers.

Chair Kirkpatrick:

Mr. Sheets, going back to my point about future revenues, what type of language do you think would not handcuff us? I just do not think it is fair to handcuff future legislators from any additional revenue that we would want.

Christopher Milam:

If I can interject, Madam Chair, I have been corrected by my own staff. Taking out paragraph (e) would cause a problem with S.B. 502. It needs to stay in. Mr. Sheets can clarify how we can make it work.

Chair Kirkpatrick:

Okay, thank you. Mr. Sheets.

Thomas Sheets:

My short answer is I do not know what the language should be. This is something you raised this morning, and I think we need to talk about it. I suggest to you that we would be prepared to have some language available later in the day. I understand you will have an additional hearing tomorrow. Then we could discuss the language proposed, because we really need to think this thing through and make sure that it works properly. The last thing anybody wants is another surprise like we had on green buildings. You are right.

Christopher Milam:

Madam Chair, we have a suggestion. Where it currently says, "any other revenue," it is very broad. From our perspective, if it simply said, "any building user fee" enabled by the Legislature, it would be sufficient for us.

Chair Kirkpatrick:

Okay.

Christopher Milam:

If it would save time in drafting language or coming back to you, just substitute "any other revenue" with "any building user fee enabled by the Legislature," and we are done.

Chair Kirkpatrick:

Okay, Mr. Sheets, but I want to think about the long-term and, if bonds are put in place, how that affects the way we do things.

We are going to the floor. I am going to reconvene, because I think I want to get through the whole bill today so that people can think about some of this. Whether you are first or third, it gets easier as you go, but there are some real discussions we must have. Mr. Anderson.

Assemblyman Anderson:

I also want to know about your hiring plan. I want to ensure that we are hiring Nevada workers. I also saw a provision in section 10 that says the complex is allowed to be owned by a county, city, et cetera, if I read that right.

Also, what is your ownership plan for the facilities?

Terry Care:

That language already exists in other parts of statute. I am thinking again of NRS 271A. To be clear, this would be a privately owned project.

Christopher Milam:

As Assemblywoman Neal asked earlier, we will provide a copy of the CWA. Within that is a significant amount of text relating to local hiring practices. It is union labor at prevailing wage.

Chair Kirkpatrick:

Okay, Mr. Anderson.

Assemblyman Anderson:

I understand that the prevailing wage requirement is in there, but specifically, there have been other projects throughout Las Vegas Valley where people have been paying prevailing wage, but then they hire out-of-state contractors. I want to make sure we are hiring in-state.

Christopher Milam:

And we will.

Chair Kirkpatrick:

Ms. Pierce.

Assemblywoman Pierce:

Can someone tell me where the phrase "any other revenue" appears?

Chair Kirkpatrick:

I believe it was in sections 9 and 10, and it applies to both options 1 and 2. It is section 10, page 5, lines 11 through 16.

Assemblywoman Pierce:

Thank you.

Chair Kirkpatrick:

Ms. Benitez-Thompson.

Assemblywoman Benitez-Thompson:

Thank you, Madam Chair. This question is coming from page 3 of the fiscal benefit analysis section of your handout ([Exhibit D](#)). These folks note quite specifically that they did not perform a market feasibility study of the complex. All the numbers in their analysis assume that there will be sufficient market support for the complex as of its scheduled completion date. So, I wonder why the study was not done, or whether it is somewhere else.

Christopher Milam:

There are three reports in there. There is the demographic analysis, which is that market feasibility study. Based on that, there is the economic output analysis. If we have this complex with these franchises and other events, it will produce a certain amount of increase in economic output in southern Nevada. It is around \$550 million a year. Predicated on that, the physical impact of that new economic activity is the fiscal benefits report. Mr. Restrepo prepared all three. We thought that he could speak to the demographic analysis and the economic output analysis, and Mr. Sheets would speak to the fiscal benefits analysis if you have specific questions.

Chair Kirkpatrick:

Ms. Neal.

Assemblywoman Neal:

Thanks, Madam Chair. Section 10, subsection 1, paragraph (c), subparagraph (6) appears right about the "any other revenue" phrase. In your economic impact summary, you do not have it estimated, which I understand because you are saying the land is vacant, and you expect nearby property values to rise. What do you see as the potential amount of revenue? I am sure you projected that or estimated what it is. What do you expect to receive back, and how much of the ad valorem are you going to get?

Christopher Milam:

There are two parts to the question. With respect to what we think the ad valorem tax will be on the specific site of the property, we have done our estimates on that. What Mr. Restrepo did not do, because there is no good foundation, is estimate the increased value of property surrounding the project because of the existence of the buildings.

There will be a significant amount of additional ad valorem tax revenue generated for Clark County. Most of the property tax goes to the county or the city. It will be very significant, we think. None of it is in our reports because there just is not a good basis to say, "Okay, because we exist, the property values around us will go up by a certain amount of money over a certain amount of time." There is a good basis to estimate sales tax, receipts, and employment; but to say that a certain property will become more valuable because of what was done to surrounding property is a little bit of a stretch. We could have done it, but we elected not to do it. Just like the multipliers you will see in the summaries, we have been very conservative.

The project is completely out of phase, if you will, with the rest of the industry in southern Nevada. We are not adding a hotel room, a gaming floor, or a big

food and beverage program. It has an outsized, or outproportioned economic impact, because it is not creating any more of what is already there, and it is filling hotel rooms and bringing more people into town.

It has a significant economic impact in the form of jobs and additional sales, and you can estimate the fiscal benefits related to that. It is good enough as it is without having to stretch and claim it will increase property taxes.

Chair Kirkpatrick:

Are there any other questions on section 11? Mr. Restrepo, do you want to add anything? We need to get to the floor. We are going to come back.

John Restrepo, Principal, RCG Economics, Las Vegas, Nevada:

Thank you, Madam Chair. I want to add to what Mr. Milam just said, relative to the economic impact analysis that we provide new jobs. As we all know, it is a critical issue in Nevada. It is the shortage of those jobs that is making our recovery as anemic as it is.

In our analysis, we were very conservative. In the case of construction jobs, we are probably talking about a two-year construction project with each venue staggered within that period. We are talking approximately 6,900 direct construction jobs during that two-year period, with an annual compensation of about \$483 million.

On the direct and induced benefits jobs and construction, it probably adds another 3,700 jobs in the local economy with a payroll of about \$178 million during construction.

On the operations side, which is really the most important number at the end of the day, we are talking approximately 2,700 jobs on an average annual basis working within the shrink-wrapped project, and an additional 1,200 jobs for the economy on an annual basis.

The payroll for the 2,700 jobs is about \$83 million annually. Payroll and benefits for the indirect jobs is approximately \$54 million a year. Just as important are the multipliers.

Chair Kirkpatrick:

The proof is in the pudding.

John Restrepo:

Yes, Madam, the multipliers. Our multipliers are relatively conservative. We have multipliers, for example, on the jobs site side of things through operations,

and a multiplier of 1.45. What does that mean? That means for every direct job you are employing at the project on an average annual basis, you are creating a half a job—or 0.45 jobs—in the local market during that year.

We were very careful about this, because there is a potential to misuse multipliers. When you start seeing multipliers in excess of 2, you start pushing the envelope of the reality of those multipliers. We were very conservative in making sure our multipliers stayed within the range of what we could consider reasonable and realistic. You are right; they have a tendency to magically multiply in large numbers, which really does not work in most economies. I am here for any other questions.

Chair Kirkpatrick:

Okay, Committee members, I do not want to start on section 12, because I have seven questions. I want to go to the floor. How many of the Committee members are members of the Assembly Committee on Education? I count seven. They tell me that committee will meet for about three hours.

I know that S.B. 502 is up at 1:00 p.m. I want to watch that. We will come back at 2:00 p.m. in this committee room, when we will finish the bulk of the bill. I think this policy helps the bill in the long-term. Mr. Care.

Terry Care:

Thank you, Madam Chair. Maybe this will help answer the previous question about what happens when revenues are pledged, and then state law changes. I am going to stick my neck out here. I imagine something like that may have happened in 1982 with the tax shift. Maybe somebody can research that. Property taxes came down; sales tax went up. I do not know whether that happened, but it seems to me that is something we may want to look at. Maybe Ms. Vilardo would know the answer to that.

Chair Kirkpatrick:

Okay, we will be sure to ask her. With that, we are going to go into recess until 2:00 p.m.

[The meeting was recessed at 10:53 and reconvened at 2:12 p.m.]

We are going to start on section 11, and we have plenty of questions. We are going to finish section 11 and go from there. Committee, were there any additional questions on section 10 that needed to be clarified for the Committee? Ms. Pierce has a question.

Assemblywoman Pierce:

My question is for the IDM folks. From testimony this morning, I understand you have the money to build this, so why do you need the taxpayers?

Christopher Milam:

The three venues in our project are new, state-of-the-art facilities. They are very large, and they are very expensive. The yield on those assets is not sufficient to attract enough private equity to construct the buildings. This has been the issue in Clark County for at least a decade. That is why Thomas & Mack Center, Sam Boyd Stadium, and Cashman Field are all in use well beyond their useful lives. These buildings in the past typically would be 80 percent to 100 percent publicly financed.

With our particular project, which is the only one I can talk to with respect to financial viability. We own both professional sports franchises and the buildings together in one entity. That provides stability and significant economic depth to get the project done, but not without the increment. If we could do it without the increment, we would not be here going through this process; but we cannot, and we are in no different a situation than anyone else has been in the last decade trying to get this done.

Assemblywoman Pierce:

When you say these facilities used to be built with public money and now they are being built with private money, what time frame are you talking about?

Christopher Milam:

Up through the recent financial crisis. If you look at the ten most recent arenas built in the U.S. that are actually finished and open now, they are almost all publicly owned and paid for. An arena, for example, costs \$350 million to \$450 million. The local governments would give it to the professional sports team to play in, rent-free, but they would run the facility. The community would recoup its investment through the additional economic activity generated by having professional sports in the community.

Since 2007, revenues declined across the board in both public and private sectors, and the debt stayed. The same situation exists in Texas and in most of the states around the country. So, these facilities need to continue to be developed. Las Vegas is an extreme example.

Assemblywoman Pierce:

In what sense?

Christopher Milam:

It is arguably the "Entertainment Capital of the World." It has something over \$100 billion of tourist infrastructure up and down the Strip. It is the only city in the country that can handle 40 million tourists a year, other than Orlando, Florida. Yet, the three largest venues are 30 to 40 years old.

Orlando has the Amway Arena. Its \$480 million was delivered in the last 12 months. New York has Barclays Center, which will be delivered in about 16 months; and Madison Square Garden is being renovated. The Staples Center in Los Angeles is being renovated. Dallas, of course, has Texas Stadium. Those four cities are pulling strongly on the business that Las Vegas currently has. Las Vegas has the Thomas & Mack Center and Sam Boyd Stadium.

Assemblywoman Pierce:

When you say, "the ten most recently built," are you including those in Orlando, New York City, and Los Angeles?

Christopher Milam:

No. We can provide a list if you want. I am talking about San Antonio, Kansas City . . . We produced a chart that shows the venue name, the city, the year it was constructed, and the percentage of public money in the project.

Assemblywoman Pierce:

I would like to see that, please.

Christopher Milam:

Okay, we can do that.

Chair Kirkpatrick:

Are there any other questions from the Committee? I just want to clarify the last piece in section 10, page 5, lines 32 through 35 of the mock-up amendment. Once the ordinance is created, that is the day the dollars stop going to the governments in that particular area, correct?

Christopher Milam:

Could you restate that?

Chair Kirkpatrick:

In lines 32 through 35, once the ordinance is created by a local government, then that is the day that the tax would stop for the state.

Christopher Milam:

That is correct. Our site is vacant, and the only tax being generated on it now is something in the tens of thousands of dollars a year in property tax. That is all.

Chair Kirkpatrick:

But that would stop.

Christopher Milam:

I am sorry. We have only asked for the increments, so that would not stop. It would continue to flow. Whatever tax is being generated there today, which is de minimus, would continue to go to the respective governments.

Chair Kirkpatrick:

You said earlier that you were going to acquire some additional lands for parking. Are there any structures on those lands from which the tax would stop?

Christopher Milam:

Yes, we are negotiating with a number of owners of vacant industrial . . .

Chair Kirkpatrick:

And I'll just say I work in that area, so I know exactly where you are talking about. I could walk to that area. I know those companies over there. That is why I am asking.

Christopher Milam:

Yes, we are talking to a number of them; and no, our district is wrapped around our three venues. Any additional property we acquire in the area for any purpose, including parking, marshalling space, laydown yards, and that sort of thing, if that property is not within the district, the taxes currently being generated or generated in the future would continue to flow to the taxing agencies.

Chair Kirkpatrick:

Then you would not need these dollars to acquire that additional land, right? They would not be within the taxing district and you could not necessarily bond for what was not in your district.

Christopher Milam:

Absolutely.

Chair Kirkpatrick:

Okay, on to section 11 (of [Exhibit C](#)). Does anybody have any questions on section 11? You [Mr. Milam] are clear that based on section 11, that if the voters do any voter overrides you would not be subject to those, correct?

Christopher Milam:

That is correct.

Chair Kirkpatrick:

My question on section 12 is a little bit moot, because you agreed that MBT probably should not be one of the taxes that we look at; but in section 12, lines 23 through 27 shows the dispersal of all the dollars through the State Gaming Control Board (GCB). Have you spoken with the GCB?

Jon Snyder, representing The Las Vegas National Sports Center:

The lines you specified only apply to section 9, not to section 10.

Chair Kirkpatrick:

Okay.

Christopher Milam:

Yes, line 11 of section 12, subsection 1, paragraph (a), says it applies only to section 9.

Chair Kirkpatrick:

I know it is hard to keep track of all this. In section 12, does it not in total apply to you?

Jon Snyder:

Only section 12, subsection 1, paragraph (b) does.

Chair Kirkpatrick:

I guess I was talking about lines 23 through 27 [on page 7]. How about line 36 and the date of June 30, 2051? Does that not apply to you either?

Christopher Milam:

That actually does apply, and I think it is restated, I believe, in section 56 as the outside termination date of the district.

Chair Kirkpatrick:

For me, 40 years is a long time. That is the life of the project. Typically, within tax increment districts in other states, they go for half the life of the project,

which is, for me, a policy idea I have been fighting for years to establish. What is the life of the project?

That time frame kind of ties our hands going forward, and I am going to ask the Legal Division how that works. If the arena is going to be around for 80 years, what is the thought process for the 40 years?

Christopher Milam:

For us, it is disconnected. I understand, from a policy perspective, your position. Ostensively, the buildings have a 50-year design life.

Chair Kirkpatrick:

Is that with or without maintenance?

Christopher Milam:

That is, of course, with continual maintenance. They will be periodically renovated and so on, but they are very large, modern structures; so they should last for 100 years, but their useful life . . . I think you will want to replace them 50 years from now.

With respect to the related provision to have a relook at 25 years, that is problematic for us. The bond schedules that we predicated the financing on are for 30-year bonds, and we may not issue those bonds immediately. Say the ordinance is passed 90 days from now. We are investing about \$600 million of our own money in the project, and we may very likely be investing that money over the first year or so of construction before we even fund the bonds. Then, when we fund the bonds, we may not fund them all at one time. If you have a 30-year amortization schedule and 2 or 3 years on the front, the bonding time frame may be for 32 or 33 years with some cushion beyond that.

I have seen amendments floating around at 25 years. We asked for 40 years. I think if we had 35 or even 33 years, we would be okay. All we want is to get a 30-year amortization schedule, and a couple of swing years.

Chair Kirkpatrick:

From my perspective, Virginia is a relatively conservative commonwealth in the way that they do business and fund their projects. I would like to have every five or ten years, the property reevaluated, because it has brought additional value within that time, rather than hoping that the properties around it bring additional revenue. For instance, if your property tax is capped at 8 percent, as most commercial property has been since 2005, then you would stop there as far as what the local government and the state portion gets, and then you would take that 8 percent increment going forward. At least in my taxing

district, residential property owners have seen an increase of 3 percent this time, and they have seen the 3 percent increase, quite frankly, since 2005, even though property values are dropping. You would see a 3 percent per year increase for 40 years that would go to paying down your bond.

If Virginia can do it, which is a relatively conservative and well-taxed state, and go back and reevaluate the project every ten years, I do not think that is necessarily unreasonable for our state to ask for that. Because what happens is—and this goes for all the projects—the school district is held harmless, but it does not ever see an increase in property tax revenues. You and I can agree to disagree that you do not affect the schools; but at the same time, we [legislators] do affect the schools, by making sure that as things change we go forward. I have to refer back to Cashman Field and Thomas & Mack. They are not even 30 years old, and we are talking about getting rid of them and building new facilities because they are out-of-date. Fifty years is hard for me to understand.

Christopher Milam:

Thomas & Mack was built as a collegiate basketball stadium for a relatively small school for a very inexpensive price. It should have lasted longer than it did, but it did not have that design life. The design life for these buildings built in 2013 when they are delivered for professional sports is much . . . It is a much more expensive building.

Jon Snyder:

On the 25-year issue, I think I understand your question correctly. First off, we do not have inflation factored into our numbers. When we are modeling it, we essentially assume that we are going to build, say, a \$400 million arena; and we assume that it essentially stays there going forward. If you wanted to capture something where we get the increment and anything above your 5 percent, we do not have that in our model; and it is not going to hurt us. It was kind of a by-product, I guess, as it is currently drafted, but it is not crucial to financing. We really needed the increment that our building generated when it was actually built.

Your second point was about the school district and, as it is drafted in section 11, all the property tax. There is a 75-cent tax for operations and maintenance, and, I believe, 53-cent tax for the school construction; and 100 percent of that is flowed through. We are not capturing the sales tax related to the school districts, and 100 percent of the property tax for schools is also pushed through.

Chair Kirkpatrick:

I do not disagree. That has been a big argument in this building for a long time. I believe, with your assessed evaluation, you are going to get all the additional revenue. That is the way I read it. If it needs to be different, then just help me.

Jon Snyder:

When we are talking about anything that is voter-approved being exempted, the school portion is voter-approved, as is the Las Vegas Metropolitan Police Department Manpower Supplement. Both of those have already been passed through.

Chair Kirkpatrick:

Maybe I am not explaining this right. With the Property Tax itself—we have kind of a goofy, trick formula—such as in a redevelopment area or an area where we capture everything, you are getting the increment based on valuation going up. The school district funding is not necessarily going up because the assessed valuation is not going up.

Jon Snyder:

Even on the increment portion, we are only capturing 46 percent of the increment. Anything related to the schools is passed through in its entirety.

Christopher Milam:

I think I understand what she is saying. I think we are okay. Because it is 100 percent pass-through on both of the school pieces, the assessor will reassess the property. So, the value of the property will increase substantially, and therefore the property tax will increase. That portion that goes to the schools will pass straight through.

We are not exempt from reassessment. The assessor will assess us continually with everyone else.

Chair Kirkpatrick:

I appreciate that. Maybe when you get with Ms. Benitez-Thompson we could see the formula for the 3 percent increase for 40 years. I think that is important for us to know how many dollars are in all three projects.

Jon Snyder:

I think everybody has those numbers in front of them. We distributed them beforehand. As I mentioned, in the model we have assumed a zero percent growth rate. On the property tax it is \$4.8 million, and we assume it stays constant. If it were us willing to get 3 percent, I think if we need to insert new language to pass that through, we would be okay with that.

Chair Kirkpatrick:

Okay, perfect. Ms. Neal

Assemblywoman Neal:

Thanks, Madam Chair. This is in a different direction from where the Chair was going. You said you are going to put \$600 million up front. What year do you expect to get your money back in the 40-year term?

Christopher Milam:

It is a \$2 billion investment. There is private equity, there are net proceeds from the district bond issuance, and then there is debt. The construction loan and the bonds are both forms of debt, and they get repaid. Whatever is left over is distributed to the owners. It is a very long-term investment. It is a 30-year deal. What you achieve when you make an investment like this is a yield on your investment. You have a running yield on your investment. Until and unless you sell the building someday, which we do not intend to do, you do not recoup your original investment.

Assemblywoman Neal:

Basically they are in there for the long-term, so they would not see the benefit of any kind of profit for 30 years, but they will get a set yield based on the increase in value of the property and sales tax that you get in excess of that base, right?

Christopher Milam:

Keep in mind that the increment is actually a fairly small portion of the total financing package. The vast majority of the money is private capital; it is not net distributions from the bonds. It is hard to say how long it will take. It is not the same as day-trading on the stock market. When you develop a \$2 billion real estate deal, you are in it for the long-term. You are in it for 20 or 30 years.

Assemblywoman Neal:

I guess I ask because it came up, and you had said that there was a need to have certainty, and that is why certain language was in the bill—to provide certainty on what they should expect as investors putting in their private dollars to fund that project. I am not clear. When you say you do not really know, is that certainty? What is the yield? You do not put \$2 billion in, and then say, "I do not really know if you are going to get back X amount of dollars."

Christopher Milam:

Do you know how many people have put in \$2 billion and never got it back, especially in Las Vegas?

Assemblywoman Neal:

I do not even want to know.

Christopher Milam:

The yield that we make on the money we invest is the compensation we receive for taking a risk. That risk is that the projected numbers were not right or the economy goes bad. Over 30 years, how many economic cycles will we go through? The return we get on the capital is compensation for taking risk. "Risk," by definition, is what you cannot know. There are things you can know and things you cannot know. If you could know everything with complete certainty, then you probably should not make . . .

If you buy a Treasury bond, you earn, what, 0.5 percent? There is a sense the U.S. Government will not default, although that is a little questionable right now. A risk-free rate is a very small return. The higher the uncertainty is, the higher the yield.

Chair Kirkpatrick:

Mr. Goedhart.

Assemblyman Goedhart:

Thank you, Madam Chair. I have a question on property taxes for the Committee. Madam Chair, you are probably more familiar with that than I am. When you first build a project, the way the property tax gets assessed is, first of all, you have your initial cost for the building, but every year they depreciate that, correct? As you go into the future, you actually pay less and less Property Tax on the depreciated value of the building. Have you built that into your plans?

Christopher Milam:

No, sir. There are our internal books and there are the assessor's books. We will make an investment up front. Over time, we will be able to depreciate that, and that has an impact on our income taxes. The assessor does not care about our books or our income taxes. He will look at the property vacant today and say it is not worth much. Two years from now it will be worth a lot more; and more than likely, a year after that, it will be worth more. We pay property tax predicated on the assessed value of the property.

Jon Snyder:

If I could jump in, you are correct. Assessors depreciate the structure after it goes up, but at the same time they are usually escalating the land value.

Assemblyman Goedhart:

In your assessment, then, the increase in the land value as time progresses would ameliorate the slide in revenues coming from the depreciated value of the structure.

Jon Snyder:

That is correct. The valuation of the structures is being depreciated, but the land had been increasing, which resulted in a net 3 percent gain on average.

Assemblyman Goedhart:

That is unless you have been in Las Vegas for the last three years, where there has been depreciation on both sides.

I have another quick question. On the amount of money that you folks figured that you would be saving through this arena tax district, was that an amount you figured at around \$20 million a year?

Christopher Milam:

Yes. [Mr. Milam referred to [Exhibit H.](#)]

We put the numbers together during the break, and the increment is \$20,220,682. We feel comfortable with those numbers.

Assemblyman Goedhart:

If you amortized that income stream of \$20 million over a 40-year bond amortization, which I am assuming now you are probably going to be in that 5 or 6 percent interest range or less.

Christopher Milam:

No. The market right now is at seven percent.

Jon Snyder:

It is probably between 7 and 8 percent.

Assemblyman Goedhart:

What type of borrowing power or lending opportunity does that give you with 7 or 8 percent factored in on a 40-year bond?

Jon Snyder:

I would have to get back to you on that, because the numbers I have in my head have the user fee built in. We can give you the exact numbers.

Assemblyman Goedhart:

It is a fairly straightforward calculation. I would like to know what that number is.

Also, I think you expressed a concern, saying that you wanted to have a longer term because you may be using some capital. It might be a year or two before you get up and going. Maybe you could do it where they give you a set number of years after two years from construction and at the completion up to two years for construction. That term, at that point, would run forward. I think, when you look at what you can borrow using 30-year bonds versus 25-year bonds, it is not a significant amount more that you can borrow. The longer you stretch this thing out, the more interest you pay.

There is the classic example of a person who has a house on a 30-year loan, and he makes an extra payment every 1 1/2 years. Before he knows it, he has his house paid off in 22 years. I do not think there is a dramatic loss in borrowing power going from a 40-year bond to a 30-year bond or to a 25-year bond. It is not like it cuts it in half or anything. I do not know how tight you have worked these numbers, but it would be interesting to have that information. Thank you.

Christopher Milam:

We do not need 40 years at all. The district is set to 40 years, but our bond amortizations are based on 30 years. You are correct with respect to how we would look at it from a borrower's perspective, but I will give you a couple of examples of how the institutional tax exempt bond market for purchases of this scale is structured.

Yankee Stadium, which is brand new, is 30 years. Citi Field for the Mets, which is new, is 30 years. Giants Stadium, which is new, is 30 years. Barclays Center is 38 years. The institutional investment market that is buying these bonds wants 30-year bonds, and that is why we set it there. If we go to them with longer or shorter maturities, it dramatically reduces the number of buyers of those bonds in the market. The market is more driven by the 30-year maturity. We can provide the market data on that as well.

Just to give you a ballpark figure, the borrowing capacity is around \$180 million to \$200 million. It is approximately 10 percent of the \$2 billion cost of the project.

Chair Kirkpatrick:

Mr. Munford.

Assemblyman Munford:

Thank you, Madam Chair. All of this is predicated on having a successful team or franchise coming in. What if they are not successful and they pull out? They are pulling out all over the country all the time. As you said earlier, the teams do not own the stadiums. However, UNLV will always be there. I do not think the college is going anywhere. Their venture might be something that would be permanently placed whether they win or lose. It would still serve the community. But, with your proposal, if your team is not a winner—and the Las Vegas fans have proven to be a little . . .

Christopher Milam:

Finicky.

Assemblyman Munford:

Yes, right. If something were to happen and that team was not successful, how would you be able to make that up?

Christopher Milam:

We do not want an empty stadium. We will own the team.

The anchored professional franchise for the stadium is the MLS franchise. We are purchasing the expansion franchise. We have already gone to contract on the Las Vegas 51s, which is the anchor for the baseball stadium; and we have been in discussions for a year with the NBA related to the Hornets, which was foreclosed on about nine months ago. We will own the three professional franchises in our buildings.

Assemblyman Munford:

Really?

Christopher Milam:

Absolutely. If the building was paid for publicly, and some city or county gave it to us to operate our team in . . .

Assemblyman Munford:

You could not do that.

Christopher Milam:

No. Nowadays, if you want to construct a building such as this and do it 80 percent or 90 percent privately, you have to also own the franchises.

Assemblyman Munford:

That is sort of what the guy has in Texas, is that not right? Jerry Jones owns the team and the stadium.

Christopher Milam:

That is the new model. That building is new. The Yankees own their own building. The Mets own their own building. Madison Square Garden—the entity—owns the Knicks and the Rangers. If you are going to do it privately like we are doing it, you must own the franchises and the buildings together as one business.

Jon Snyder:

As part of the construction loan, they have ironclad nonrelocation agreements for 30 years. If you look at the teams that are relocating, it is typically at the end of a long lease term. Their agreements are up, and that is why they are able to move.

Assemblyman Munford:

Like the Seattle Supersonics.

Jon Snyder:

That is right. They are either locked in for a long period or the lenders are not going to lend them the money.

Chair Kirkpatrick:

I am not a sports fan by any means. That is the section of the paper I give to someone who wants to read it. But, there is an example at the Orleans, where we have had hockey and football. What good is it to have them locked in for 30 years if they are not a good team? No one is going to go see them. You would not generate any dollars anyway. I am just thinking prospectively. I can tell you the Orleans gives out tons of free tickets to hockey games just to fill the seats. I do not know how much money you actually generate if you are not engaged in whatever sport it might be. It is great to fill the seats for free, but you do not generate money based on that. Sales tax is a huge portion. I am curious to know how you planned for that.

Jon Snyder:

In the existing examples in Las Vegas, the franchises are not owned by the same group that owns the facilities, so there are problems.

Also, other than the 51s, you really do not have professional sports. Everyone knows why a professional sport was not able to come to Nevada, but because of technology and an evolution of society in the U.S., that has all changed now.

If we own the buildings and the franchises, which we will—that is the whole model—we will make sure the team wins because we want to sell tickets.

Chair Kirkpatrick:

Ms. Neal.

Assemblywoman Neal:

I guess my question is more abstract. She mentioned sales tax and how this could fluctuate. In your economic summary ([Exhibit D](#)), you talk about the direct and indirect benefits for employment; but when you get to the annual operations, there is a significant drop in the number of people who will be working. Being that our unemployment rate is still recovering, there will still be a drop. It looks like about 7,000 people will not be working after the construction is done. That will impact sales tax. Was that calculated in? I heard you talk about what you expected in depreciation and different things, so I wonder about that.

Also, do you expect to write off a lot of your up-front costs via your taxes, and that is why you are okay with putting up the initial \$600 million up front and then having the staggered approach later because you are going to be able to deduct federally what you paid out because it is going to be an expense, and you have certain deductions that you will be allowed to take in addition to your regular business expenses, and that is why it is okay.

Christopher Milam:

There are a couple questions in there. With respect to the latter, we have taken into account everything we can do, both from an investment and an ongoing cash-flow perspective. We can get the business to work, almost. That is why we need the increment. It is all one big package. We need to be able to issue the district bonds, we have to be able to invest a great deal of cash, and we have to be able to put in place a very large construction loan. It is more than \$750 million, which I believe is quite astonishing, because I believe, unless something else comes along, it will be the largest syndicated construction loan in the U.S. since the failure of Lehman Brothers, and it is in Las Vegas.

With respect to the jobs, it is an enormous development. It is a \$2 billion development with three enormous venues. We will have close to 10,000 workers on site, which should give a real shot in the arm to the construction trades where the actual unemployment rate is somewhere between 60 and 90 percent right now. It is a time when they really need it. We hope that by the time the buildings open, the economy will have recovered to a great extent.

[Chair Kirkpatrick left the Chair, and Vice Chair Munford assumed the Chair.]

We will shed a lot of construction jobs because it does not take as many people to operate the building as it does to build it. Once we start operations, we generate a lot of indirect jobs offsite, not just the people we employ. That is about 3,980, I think, by the numbers, which is a significant number of light manufacturing, service, culinary, and other types of jobs. We hope the buildings will be opening in the fall of 2013 into a much better economy.

Vice Chair Munford:

Ms. Flores.

Assemblywoman Flores:

Thank you, Mr. Vice Chair. I actually have two questions. What is the cost of the land you are acquiring? And, has there been any thought put into what will happen to the venue where the 51s are currently playing?

Christopher Milam:

With respect to the cost of the land, it is covered under confidentiality. I think I would need to check with counsel before I could disclose it publicly. It is certainly not inexpensive. It is a very nice piece of property, and it is very well located, but neither is it anywhere near what the values once were for land near the Strip.

One of the things embodied in your question requires a larger answer, which is that you could never develop these buildings at the top of the market. They just would be uneconomical. When land was \$10 million an acre and construction costs were through the roof, these buildings would not get done. We saw an opportunity with land and construction prices low and construction labor readily available. We could actually do this now, whereas a couple of years from now, we might not be able to. As prices go back up, the buildings will become much less economic. It is, in a sense, what we call a bottom-of-the-market deal. It is almost perfect from an employment/investment perspective because you can do it when you cannot do anything else. If the town was booming and you could put a hotel-casino on this piece of property, you would never build these buildings, because the return on a hotel-casino or something like that would be so much better than it would be on this project.

Regarding your other question, when we went to contract on the 51s, we inherited their leasehold position on Cashman Field. It is in the drawings that you have in the book ([Exhibit D](#)). We have replanned it to be our practice facilities and youth academies. For the NBA, AAA Baseball, and soccer, we have 50 acres of land. It is a fairly large site. The practice facilities will be run

as youth academies for each of the three sports. There are a number of models in MLB, the NBA, and MLS for intense community development of players. On the one hand, we will be running 10,000 kids through those youth facilities every year. Given where Cashman Field is located, that is a very good thing.

In Compton, California, near Los Angeles, and in Houston and Dallas, there are good examples, especially in MLB. On the other hand, there is a lot of good talent in Las Vegas in basketball, baseball, and especially soccer. The leagues provide us certain benefits for what they call "homegrown" players. It is therefore to our benefit as franchise owners to bring kids up through our own youth academies, because in many cases, then, they are not subject to the draft. If they are very good, we get to keep them.

Vice Chair Munford:

Ms. Benitez-Thompson.

Assemblywoman Benitez-Thompson:

I have some questions about the projected increment you provided ([Exhibit H](#)). These are the pledged amounts from the county, right?

Christopher Milam:

They are projected.

Assemblywoman Benitez-Thompson:

So, the projected property tax pledge is just under \$5 million, Sales and Use Tax is just under \$2 million, and the LET is about \$13.5 million, with the total being \$20 million. Is this \$20 million over what kind of time frame? Is this over 10 years, 5 years, or . . . ?

Christopher Milam:

This is annually.

Assemblywoman Benitez-Thompson:

It would be a \$20 million annual pledge.

Christopher Milam:

Right.

Assemblywoman Benitez-Thompson:

Thank you.

Vice Chair Munford:

Mr. Anderson, go ahead.

Assemblyman Anderson:

Thank you, Mr. Vice Chair. I want to go back to what you said about buying at the bottom of the market. The connotation that I just heard is that we have to do this now. This is not specifically directed at your project or anyone's project, but do you really think that land is going to get anywhere close to \$10 million an acre again?

Christopher Milam:

I hope that never happens. That was a frenzy, and it was debt-driven. If you look at the numbers in Las Vegas today, the long-term corporate bookings are now stable and increasing. The ADRs [average daily room rates] are still flat, but the occupancy rates have been recovering, I think, continuously for 11 months. You can see a stabilized recovery now.

[Chair Kirkpatrick reassumed the Chair.]

The issue with these buildings is that they are uneconomic on their own, and that is why we need the increment. Every time steel or concrete prices go up and every time land prices go up, they become more uneconomic. We are, I think, a little bit past the bottom of the market already. Believe it or not, the prices for the heavy input into the buildings—concrete, glass, steel, and that sort of thing—are highly dependent upon what is going on in China and India because they are using so many raw materials right now. That is what is driving this spike in commodity prices, which is already increasing construction prices in the U.S. Even though we are still just barely getting to a recovery, there is a real spike in commodity prices because of what other nations are doing because the world economy is so integrated now.

I absolutely believe that this is the opportunity to do these buildings. Two years from now, it will not be there. Two years ago it was not there. We are fortunate, in a sense, that the legislative cycle in Nevada is such that the Legislature is in session now, and we can get this done. If things are worse two years from now, we will have a whole lot of other problems.

Chair Kirkpatrick:

Mr. Livermore.

Assemblyman Livermore:

My question goes to the uses of the facilities. Do you think that Las Vegas might be conducive to part of the MLB Spring Training program? I am looking

at some of these pictures, and I think it may lend to a new and exciting opportunity for the community.

Christopher Milam:

I am going to answer this question very carefully. With respect to your question about MLB Spring Training, I will let Jon answer it. With respect to MLB generally being in Las Vegas, I will say that there is a very good opportunity that Las Vegas may be able to obtain an MLB franchise. If I say any more than that, I will get my hand slapped.

Jon Snyder:

In relation to the spring training, one of the challenges and what you have seen recently is consolidation. The teams in spring training all want to be in the same town so they do not have to travel. So, you have seen a lot of teams go to Phoenix, Arizona and to Florida. I know Tucson has lost its spring training team. You really need a large complex, and we would definitely go after it, but there is just not enough room on the site to build an entire spring training complex.

Assemblyman Livermore:

I asked because you find them in Palm Springs, California and in Tucson, Arizona, which are a comparable distance from Las Vegas as Phoenix.

Christopher Milam:

There is, generally speaking, a lot of opportunity surrounding baseball in Las Vegas with respect to these complexes.

Chair Kirkpatrick:

I want to get back to the bill, but I know Ms. Neal, Ms. Benitez-Thompson and Mr. Goedhart . . . I want to talk about the policy, because we still have to go to the floor, and this is only day No. 1. We still have one other thing to do. Are there any other questions? Ms. Benitez-Thompson.

Assemblywoman Benitez-Thompson:

Thank you, Madam Chair. I want to make sure I have my numbers right, and I want to make sure we know what we are committing to with this language.

The pledge amount that Clark County would give would be \$20 million annually over 30 to 40 years. That comes out to about \$800 million, right?

Christopher Milam:

It does on an undiscounted basis, but if you discount that back to its value today, it is \$180 to \$200 million.

Chair Kirkpatrick:

Mr. Goedhart, do you have a question?

Assemblyman Goedhart:

I have one question, and then we can get back to policy. Are the bonds tax-free?

Jon Snyder:

They are tax exempt.

Assemblyman Goedhart:

Basically, you are talking about a pretax rate of return at 8 percent, probably around 10.5 to 10.8 percent for the market segment of the folks who will be investing in the project. You are looking at about a 35 percent tax rate.

Christopher Milam:

It depends on whether the institutional investor is tax exempt or not. Some of them are pension fund managers and so on, who are tax-exempt. The rate that we will need to pay, given the economy today, on a tax-exempt basis is around 7.5 percent.

Chair Kirkpatrick:

Are there any further questions on section 12 (of [Exhibit C](#))? [There were none.]

At the bottom of section 13, it appears that the piece that protected local government from having to pay back was deleted in its entirety. My concern is that if we bond out, we do not have a clawback provision. There is no way for us to get our money back. It is a little different from abating taxes up front. This would lead me to believe that subsection 4 [of section 13] would be replaced by subsection 46, which talks about the local government being part of the ones that would be accountable for the dollars if there are any missed payments.

In forty years, I do not know if any of us will be here. I am not sure. I have not heard anybody talk about what happens to the ownership of the arena and the rest. I think if we are asking local government to not be protected, based on the language that was deleted, and putting them into where general obligation bonds can be done and not knowing who is going to be around in 40 years to take care of the project, sell the project, or . . . I just think we ought to have that discussion.

Christopher Milam:

We did not ask for the language to be stricken. We are adamantly opposed to any recourse to any state or local or other governmental entity for these bonds. It has been our intent that these are district bonds. That is the way we have modeled them. They are recourse only to the district, which means only to our facilities. We do not need them backstopped; we do not want them backstopped.

If you want to put the language back in, that is fine with us. I do not know where it came from. It may have come from leadership. There may be other political calculi involved. With respect to LVNSC, we do not want to see ours or any other project's bonds backstopped by any governmental entity.

Chair Kirkpatrick:

I think that is important for taxpayers because there is no provision to go back. Once we give you the bonds, we just have to close our eyes and hope for the best.

Christopher Milam:

No, Madam Chair. I do not know why anyone would backstop bonds on behalf of someone else if they were not an owner of the project, had a financial interest in it, or could take it away. We were very clear about that. We have not asked for it, and we do not want it. We do not think that any of the proponents should have it.

Jon Snyder:

That is why we have a 7.5 percent interest rate, and not a 4.5 percent rate.

Christopher Milam:

If these were general obligation bonds, we would have a 4 percent interest rate.

Chair Kirkpatrick:

I do not know whether I agree with why you need them for 40 years when other states can do it for a much shorter time, but that is for a later discussion.

Section 14, subsection 2 talks about the 25th anniversary. If other states with larger stadiums can do it sooner, what is the reason for 25 years? A lot can change in 25 years. The reevaluation could be lower or higher. Did you ask for that?

Jon Snyder:

Our financial advisors said that for the deals they have done over the last 5 to 10 years, 30 years is really the minimum. So, that is what they advised us to

put in for arena or stadium deals of this size. The 30-year bond is what is required. Just to find an investor pool big enough to buy this number of bonds . . . It is not a small number. We need the investor pool, and the longer maturity allows for increased proceeds.

Chair Kirkpatrick:

Are there any other questions from the Committee?

Christopher Milam:

May I add to that?

Chair Kirkpatrick:

Uh-huh.

Christopher Milam:

We can accept a 30-year bond term. The 40-year district life should give just enough flex between issuance and repayment. A 25-year term is really problematic, but we can limit the maximum bond duration to 30 years. If you want to reduce the life of the district predicated on that, we can, but we would just ask for maybe a couple of years of swing up-front.

Chair Kirkpatrick:

Do you have a bond person here? I want to ask questions about future legislative decisions on revenue.

Christopher Milam:

Mr. Sheets may be able to answer the questions.

Chair Kirkpatrick:

Mr. Sheets, do you want to answer?

Thomas Sheets:

I will ask you to restate your question. I am not bond counsel and have never been, but I will give it a shot.

Chair Kirkpatrick:

Is there a way that your bond can be changed, based on what legislative decisions are made? Would you know that?

Thomas Sheets:

Are you asking whether the contractual arrangements between the bond holder and the entity can be made flexible to accommodate subsequent changes in the tax structure?

Chair Kirkpatrick:

Correct. When you do a bond, you can put water rights in, death clauses, et cetera, to ensure that you get the best bonding rate and you can get most of your items pledged. If future legislatures decide to finance things differently—say we get rid of the MBT and the LET, for example—would that preclude us from . . . We would be on the hook, I think to stick with the bonds that were out there.

Thomas Sheets:

It seems to me the government and the party in this kind of endeavor enter into an agreement that there are certain revenue streams that will be available to support the project. Bonding for the project goes out to bid, and they contract on that basis with third parties who give them the money. If you try and unravel that after the fact, it seems problematic to me for many reasons. If you try and build flexibility into that arrangement, I would think that the desire to create that flexibility creates uncertainties, and that affects what the lenders are willing to do. Beyond that, I cannot offer an opinion because I am not bond counsel. Mr. Snyder might be able to help me.

Jon Snyder:

Unfortunately, I am not bond counsel either. However, I think one possible solution is—if you are shrink-wrapping these buildings, and it is a defined boundary that is a facilities district—it might be possible, if future legislatures decide to do away with the LET, that the language is revised to say the LET is only charged within a live entertainment district, and it goes away everywhere else in the state. Because only the revenues within our district would be pledged to the bonds, it would not break any bond covenants, and it could satisfy the conditions.

Chair Kirkpatrick:

From my perspective, that is what got us into the structurally damaged taxes that we have now. It is because we approve all this special legislation that allows or exempts various things. I am more comfortable with the duration being less than 40 years. I will just go to that.

Is there anybody from the City of Las Vegas in the room to answer these questions?

Does anybody have any questions about section 15? Ms. Neal.

Assemblywoman Neal:

Thanks, Madam Chair. My question goes to section 15, lines 7 through 18; I have a second question, but we will start with this part.

There seems to be a contradictory provision. The first part of subsection 1 says, "Except as otherwise provided . . . and notwithstanding any other law to the contrary." However, lines 14 to 18 [later in subsection 1] say that the "maintenance of the event facility project is exempt from any law requiring competitive bidding or otherwise specifying procedures for the award of contracts for construction or other contracts, or specifying procedures for the procurement of goods or services." What is the intent of that subsection?

Jon Snyder:

That does not apply to us. It is only for a facility that is owned by a governing body, and ours would be privately owned. I think this would be a City of Las Vegas provision.

Assemblywoman Neal:

Okay, now we can go to my second question. It is about section 15, subsection 1, paragraph (b). I was reading the employment agreement ([Exhibit G](#)) that you guys have. In Article 6, where you have your referral piece, it says the union shall be the source of all employees. How will you incorporate the language of the members of racial minorities into your referral if the unions have a low number of racial minorities participating in work?

Christopher Milam:

I want to take a moment to read this. I think we are talking about two different phases. The CWA that we provided after the break states in Article 6 that the unions will provide the labor. That is applicable during the period of physical construction of the projects, whereas I think this language is more toward the long-term operations of the facilities.

Assemblywoman Neal:

So, are you saying that this bill basically does not deal with the construction phase, just who will work in the 3,000 positions in the constructed facility?

Christopher Milam:

This particular paragraph is getting more at operations than it is construction. I think that at a higher level, this bill, if it is passed, is the law. That CWA is simply a private contract between us and the Southern Nevada Building Contractors.

If the law enabling the district has these requirements, and they are applicable to construction, then the entity supplying the labor—in this case, the unions—would have to conform to the law.

Assemblywoman Neal:

Okay, thanks.

Christopher Milam:

Before we leave the subject, Mr. Care referred me to Article 7 of the CWA, which reads in part that the "Employer, Contractors and Subcontractors and Union agree that they will not discriminate against any employee"

Assemblywoman Neal:

Right. I read that provision, but there would not even be an issue of discrimination if they are not a part of your pool to pull from. You cannot discriminate against someone who is not part of your selection.

Christopher Milam:

I understand. But, again, if the bill represents the law, and the unions have to conform to the law in their effort to provide labor to the project, then I think they are caught by this as well.

Chair Kirkpatrick:

Mr. Goldwater, thank you for joining us. We would like to ask you some questions on bonding.

David Goldwater:

Thank you, Madam Chair.

Chair Kirkpatrick:

Ms. Neal, I think you need to go back and ask Mr. Goldwater the questions that you first had, because it applies to them.

Mr. Goldwater, if we change the way our structure works, then what are we responsible for in bonding? If you have a bond covenant, you could put in there the CEO of whatever; you could put in water rights. I have seen a whole list of things put into bond covenants to leverage dollars to ensure that the issuer will have the money to repay the debt. We need to know the plan for the city. Also, I am not sure whether your project needs general obligation bonds.

David Goldwater:

It is up to the city. Currently, the elected officials within the municipality have the ability to offer a guarantee behind any financial instrument that someone else can issue, based on the revenue authorized by statute. The Cordish Company with the City of Las Vegas just does not want to change from that.

The Smith Center is an excellent example. The city pledged its good faith behind the revenues of the rental car tax so that it could lower coverage ratios, which makes the project financially feasible. In the original draft of the bill, that general obligation pledge used in the Smith Center example was excluded. That tool was taken away from those elected public officials. In the current draft, nothing changes in statute. That is something that would be very helpful and should probably be left to the discretion of the local public officials.

As far as the revenue is included, the only revenues contemplated by the project downtown are the ones contained in this bill.

Chair Kirkpatrick:

Right, but there is a provision in here that applies to both section 9 and section 10. It says that any future revenues can be pledged. "Any future revenues" can mean anything the state or local government collects. It is pretty wide open.

David Goldwater:

The modeling done by The Cordish Company and its partner, the City of Las Vegas, does not contemplate any other revenue.

Chair Kirkpatrick:

There is a lot of stuff we can take out of this bill. I think it is going to go from 40 pages down to 5 pages. Ms. Neal has a question.

Assemblywoman Neal:

The question is in regards to section 15, subsection 1, paragraph (a), but I also want to note that paragraph (b) of that subsection has a provision regarding ownership by a nongovernmental entity. Who does that apply to? Does that apply to you?

[There was an inaudible response off-microphone.]

It is exactly the same language in paragraph (b) as in paragraph (a). I want to know why you would be exempt from competitive bidding. It seems to be a contradictory provision. The first sentence of section 15 states [in part], ". . . notwithstanding any law to the contrary . . . "; and then it says, ". . . the event facility project is exempt from any law requiring competitive bidding . . . "for awarding contracts or the procurement of goods and services. I am trying to understand the intent of this section for paragraph (a); and if paragraph (b) applies to the private group, what is the intent of paragraph (b)?

Jon Snyder:

I can jump in on paragraph (b). The predraft, the employment plan, the public bidding, and those sorts of things were added in the original draft that was submitted. I think this provision was intended to be removed. This may be something that we need to strike out. After the amendment added all the other stuff, the removal of this provision was overlooked.

Chair Kirkpatrick:

What lines would that be? Mr. Goldwater, that holds true for you as well.

Assemblywoman Neal:

Paragraph (b) consists of lines 19 through 27 [page 10].

David Goldwater:

Indeed, that is something you would have to ask the sponsor of the bill. Everything being built by the city meets the definition of "public works" under NRS Chapter 338 anyhow. We did not request that language.

Chair Kirkpatrick:

Mr. Anderson.

Assemblyman Anderson:

I would like to thank my colleague from Assembly District No. 7 for bringing that up. I am also concerned about that language, and I have been talking about public works today. Even for nongovernmental entities, if we are pledging tax dollars, I think competitive bidding is important. I think we could almost strike paragraphs (a) and (b) [section 15, subsection 1] in their entirety.

Christopher Milam:

I think they were left in accidentally when all the new language was added. We accepted the original language; procedurally, we will choose our general contractor, but in all the bidding for the actual work and subcontracts, they will be subjected to competitive bidding because there is public money involved. The vast majority of the money is private, but you are correct. Once you have one dollar of public money in it, you really should be subject to the rules as if it were 100 percent.

Chair Kirkpatrick:

Are there any other questions on section 15? [There were none.]
Okay, we will move on to section 16. Ms. Neal.

Assemblywoman Neal:

Thanks, Madam Chair. I am on section 16, page 12, lines 8 and 9. In subsection 2 it says, "The provisions of subsection 1 do not apply to: (a) Any contract which is awarded by a county" This probably does not apply to the private entities, but it appears that, with the way subsection 1 is written, when the county awards a contract, it no longer has to post the public notice, and that only the private entity has to do the notice. Subsections 1 and 2 of section 16 seem to contradict each other.

David Goldwater:

If NRS Chapter 338 is triggered, for all the provisions that fall under it, which includes any public dollar, all kinds of public notice is required. Again, that is something you need to ask the sponsor. It was neither requested nor contemplated to exempt the public/private partnership from the provisions of NRS Chapter 338 whatsoever.

Chair Kirkpatrick:

The Committee has seen this a lot, especially on public/private partnerships. There seems to be pieces in there that are alluded to that would not require an entity to be part of the other provisions of law. I think that either has to come out or be made very clear. We have seen that appear quite often this session. Everybody says it is just for one project, but then when you read the language, it is ongoing. The way I read this, you would not have to comply with any of those provisions for the next 40 years. If that is not the intent, we want to make sure we get this right.

David Goldwater:

We most certainly want to comply with anything having to do with Public Works in NRS Chapter 338 if the project is deemed a public work.

Chair Kirkpatrick:

Ms. Neal.

Assemblywoman Neal:

Once again, to understand the intent on whether this is the correct language in section 16, subsection 1, paragraph (e), where there is language providing the developer the sole discretion to determine who the subcontractor will be, is the intent to provide that sole discretion or not?

David Goldwater:

I will leave that to the sponsor.

Chair Kirkpatrick:

Are there any other questions on section 16? [There were none.]

We will move to section 17. If one of you three could have a bond person here tomorrow, that would be most helpful. There are quite a few bonding questions that we probably need to clarify for the record. We will meet tomorrow at 9 a.m.

Mark Fiorentino:

We have two preliminary things to point out. First, we are distributing to you as a preview to the answers to the questions we anticipate concerning our summary of the economic benefits of the project ([Exhibit I](#)) and also our summary of the projected tax streams and their revenue amounts ([Exhibit J](#)).

For the second preliminary matter, we want to go all the way back to section 6 of the mock-up ([Exhibit C](#)). There was a change suggested to the definition of "events facility." It starts on line 1 of page 2. It reads, "Contains at least 35,000 fixed seats" We are a little concerned about what the word "fixed" means. If you remember from our presentation yesterday, our stadium is designed to expand and contract. Literally, the seats move from time to time. We are not sure that we have any opposition to the word "fixed," but we ask you to at least help us clarify that somewhat before we finalize the bill if you are inclined to process it.

Chair Kirkpatrick:

That is a point well-taken. I know there is an amendment coming tomorrow. Tonight, I will try to find out what the national standards are for a professional team. I understand where Senator Horsford was going with the 35,000 fixed seats. I am curious to know what that standard is.

Mark Fiorentino:

We are prepared to roll up our sleeves, if you will. I will try to be the gatekeeper of the questions for the sake of efficiency.

Chair Kirkpatrick:

Mr. Anderson.

Assemblyman Anderson:

This may be splitting hairs, but if you take out the word "fixed," could that apply to folding chairs and the like? Is there any way we could write that plainly?

Mark Fiorentino:

That is exactly what we are asking you to do—to write it plainly and distinguish between folding chairs and our situation where the seats actually move. You are making exactly the same point we are.

David Goldwater:

It is not our intention to have folding chairs as part of our component. We agree with you.

Chair Kirkpatrick:

Now that section 6 is out of the way, we will go to section 17. Are there any questions? Mr. Munford.

Assemblyman Munford:

When you talk about folding chairs, are you speaking of the gymnasium where basketball is played?

David Goldwater:

I was not speaking to any specific venue. People sit in folding chairs at the Staples Center, and those seats sell for \$10,000 apiece.

Assemblyman Munford:

I have seen folding chairs at many stadiums.

David Goldwater:

These buildings are not exacting in how the seats are actually arranged. That is why we are worried. We do not know what “fixed” means. If we are talking about the type of chair and how it is affixed to the floor, someone has to figure out what this means.

Chair Kirkpatrick:

Are there any questions from the Committee on sections 17 through 24? [There were none.]

Mr. Fiorentino, I want to talk about the “designated tax” as defined in section 20. That brings me to section 25 and lines 35 and 36 [page 13], where it reads, “Any fees imposed by the Board in lieu of a designated tax to make up for the amount . . . that is not collected as a result.” Can you explain how that works and how you pledge that for the future?

Mark Fiorentino:

I will offer some background. Part of the confusion here is the melding of three completely different concepts. The way our concept works is that we have

identified certain tax streams. We would use the increment of those streams to make up one component of pledged revenues. "Pledged revenues" is used to describe what we can pledge to pay off the financing and other obligations.

In our portion of this bill, pledged revenues consist of a number of components. The first component is the increment of the taxes that we identified. The second component is the one you just asked about. We are talking about property, the vast majority of which is owned by UNLV. It is exempt from property tax. It does not pay property tax today. When it is developed, it is exempt from property tax under current law. Part of our financing package is to give the Board of Regents the authority to suggest to the county commission that they approve of that authority to charge a fee in lieu of the property tax of our tenants—the people who actually occupy the building. That is the intent of that language.

Chair Kirkpatrick:
Mr. Livermore.

Assemblyman Livermore:

In some cases that I am aware of the Property Tax may be exempt, but the leasehold is all taxable. You are talking about the physical ground as being tax exempt, but the improvements could be anything from curb, gutter, and asphalt to structures. Would that be taxable?

Mark Fiorentino:

It is unique, but under current state law, both the property and the improvements owned by the University are tax exempt. We want to be able to charge a fee in lieu of that to pass on to our tenants to add into this financing package.

Assemblyman Livermore:

I understand that, but in some cases you are going to consider lease arrangements with third parties. Those lease arrangements will eventually be taxable. Am I correct?

Mark Fiorentino:

I do not think you are. We researched this pretty heavily before we drafted it. Again, it is unique because we are talking about University-owned property. If we were talking about other government-owned property—for example, if it was the City of Las Vegas, and they owned it—the property is tax exempt, but the buildings, once put to commercial use, would then be subject to tax. That rule does not apply to the University system.

Assemblyman Livermore:

I am not aware of that. Thank you very much. Maybe we could get some detail on that. I would like to verify that.

Chair Kirkpatrick:

Are there any other questions on section 25? [There were none.]

Let us go over section 27 and the taxes that would be imposed. What I have heard today, at least twice, is "that was not the legislative intent; that is not what we wanted to do." So, I am trying to clear the record regarding the intent so that the bill can be drafted once Senator Horsford hears it. I am happy to give him my recommendations.

Can you go over section 27 and those particular taxes? I think that NRS Chapter 361 is Property Tax, NRS Chapter 363B is the MBT, (Modified Business Tax) NRS Chapter 368A is the LET (Live Entertainment Tax), NRS Chapter 372 is the 2 percent of the Sales and Use Tax, and NRS Chapter 377 is the consolidated sales tax dollars [City-County Relief Tax].

Based on the way this is written, those dollars would then be diverted from our General Fund to pay off your project.

Because the Thomas & Mack Center has plenty of events planned for the next year, I want to be clear about whether or not it was your intent to stop the revenues before construction commences. If that is the case, we need to fill in that hole. Does that make sense, Mr. Fiorentino?

Mark Fiorentino:

Yes, Madam Chair. Let me try a multipart answer. First, the overall intent with our section was to clearly identify only the increments. You, in fact, identified the right tax revenue flows for those increments. I think the language in the rest of the bill sets pretty clearly how to do the increment. All three parties have consistently said that they meant to capture only the increment. I think you have some work to do to make sure that is the case. All three have testified about the shrink-wrap of the district around the particular facilities, but there is no such requirement in the bill. I think that should be addressed.

In our section, it is covered because the district can only contain, on the day that it is formed, property owned by UNLV. I think you have all the testimony you need to clarify that. We spoke privately about the issue that you brought up about beginning to "freeze" the taxes on the date the district is formed. We agree with you. Maybe the date of the commencement of construction is a

better date to protect the state from that interim period from the loss of those revenues. We would support working on language to adjust the date.

Chair Kirkpatrick:

Are there any questions? Mr. Ellison.

Assemblyman Ellison:

I would like to start with Mr. Fiorentino, and then I would like to have the others do the same and break it down. We are jumping all around this. I am getting kind of confused about what taxes are what. We talked consolidated tax; we talked ad valorem. We talked so many different things. I would like to get an actual sheet that breaks down what [tax] is county, what is state, and what is actually going to be in a GID and the type of improvement district. You are going to freeze that up in the ad valorem tax one way or another. I would like to actually see this on one sheet. We are bouncing back and forth. I would like to see what is going to affect the state and Clark County. That way, you have something to put some nuts and bolts to. Can we get that?

Mark Fiorentino:

Yes. I think you should carefully review that information. I do not mean to punt the answer, but I suggest that your Fiscal and Legal staff would be best suited to do that, because I am not sure I fully understand the other two sections. I think your staff would be the most objective group to meld the information and compare the proposals side by side for you.

Chair Kirkpatrick:

I am not going to ask our Fiscal staff to do that because we are trying to get our budget out. Also, this bill has not been heard in the Senate yet, and it is their job to do that. It may never get to us. What I did not want was for us to get this bill on Monday afternoon and be forced to consider it without having any policy discussion.

We have numbers, but the numbers do not say whether it is yearly. They do not say whether it is for the life of the project. They do not really tell us anything. They are a bunch of numbers on a page. I want to know specifically how you envision your projects being financed. That tells us where you think those dollars are coming from. If you envision that you are getting \$4 million from MBT, then it is easier for us to go back and clarify that. For all three parties, we just need to know how you envision it.

Another issue is the employment plan. When, within your quarterly, are you going to start, and how much would that be?

Mr. Fiorentino, our Fiscal staff is lucky to be alive after the torment of this session. I do not want to put it back on them, but we can give you an overall view Mr. Ellison, after we see those numbers.

Assemblyman Ellison:

Thank you, Madam Chair. I am asking them to throw them together right now. We have got a few days . . .

Chair Kirkpatrick:

Well, here is the deal: We have three days left in session.

Assemblyman Ellison:

Right.

Chair Kirkpatrick:

We are working tonight, and I am sure all three entities will be working tonight, putting those numbers together for us.

Assemblyman Ellison:

I think that if we are going to make a good, sound decision, it must be based on facts, and not prospective figures.

Chair Kirkpatrick:

As we look at all of these taxes, they are the state's taxes. In the past, we have taken the county's taxes and the sales tax and kind of split the two. These are predominantly the state's most solid taxes.

David Goldwater:

Madam Chair, perhaps I could change my answer.

Chair Kirkpatrick:

That would be good.

Mark Fiorentino:

We will ask Mr. Hobbs to work on our portion of that information. We will then focus on the sheet ([Exhibit I](#)) that we handed you and give you an overall explanation of our numbers. That is why these gentlemen are here. They are here to answer those exact questions. Allow me to give you the overview, and then the rest of the panel can help answer the more detailed questions.

We distributed to you our estimates of the public component of this ([Exhibit J](#)). There are two very important things you should know about these numbers. First, they are projections, and they are based on a lot of different assumptions

that could change based on a lot of different factors. Give them whatever weight they are worth. We worked hard on them. They are as accurate as we could get them, but they are projections, and they are based on a time at the very beginning of the project.

The second point is they are annual numbers. The third point is that they are projections based on complete build-out. It takes us time, as we are building through the project, to actually achieve these numbers. These are the maximum numbers when you reach complete build-out.

With respect to how this component fits with the other financing components that we contemplate, that is why Mr. Bomotti and Mr. Cavileer are here. We are happy to walk through it and answer any questions.

Chair Kirkpatrick:

Ms. Benitez-Thompson.

Assemblywoman Benitez-Thompson:

[Ms. Benitez-Thompson referenced [Exhibit J.](#)]

This would be the pledge on local and state government side, right? These are the pledge amounts. For the construction phase, the pledge is just under \$57 million. Is that right? Is the construction phase one year? Is it two years? Is it 18 months?

David Goldwater:

Guy [Hobbs], feel free to speak from the Grant Sawyer Building. This is anticipated in this model over approximately a 4-year period of time.

Assemblywoman Benitez-Thompson:

Going down to the column you have labeled "At Stabilization," that totals just shy of \$40 million. Over what time frame is that pledge? Is it annual?

David Goldwater:

We should probably go to the second half of the page. That is more current with respect to the legislation.

Assemblywoman Benitez-Thompson:

There are two different ones, so which . . .

David Goldwater:

Where it says, "Re-stated as to reflect amounts in legislation," midway through the page"

Assemblywoman Benitez-Thompson:

So the top one I will not reference. Below, the \$33 million for construction would be over four years?

David Goldwater:

Yes. I suggest, if you like, Mr. Hobbs can walk you through these. You could hear it first and then ask questions.

Assemblywoman Benitez-Thompson:

Okay.

Chair Kirkpatrick:

Mr. Hobbs, there is a 10-second delay. If you could tell us where you start on the sheet, that would be helpful.

Guy Hobbs, representing UNLV Now, Las Vegas, Nevada:

Focusing on the top half of the page ([Exhibit J](#)) for a moment, the way I would best describe that is those are the total public revenues that would be generated as a consequence of the development and the operation of the project. The lower half of the page is more illustrative of that portion of those revenues that would be pledged to this particular project. The numbers at the bottom of the page are important—the construction figure of \$23.5 million and the stabilization number of \$11.5 million. Those are the numbers that would be generated by the project and would not flow to the project, but to other state and local government uses. A primary piece of that, for example, would be the LSST that would continue to fund education and other special option taxes that would continue to go to fund those particular purposes.

The top half of the page is the total revenue generation from all of the public sources. The bottom half of the page are those that, under this legislation as it has most recently been written, would flow to the project and be pledged to help finance the project. I hope that answers some of your questions about the meaningfulness of those numbers.

Chair Kirkpatrick:

Mr. Hobbs, I want to be clear. Are the numbers on this paper for the life of 40 years or for the life of the build-out of the project?

Guy Hobbs:

As Mr. Cavileer mentioned, the construction is expected to be a two-phase program, totaling approximately four years. The construction numbers that you see on the top and bottom part of the page would be the total amount accrued over a 4-year construction period. The stabilization that you see on both the

upper and lower parts of the page would be annual values thereafter, once the facility is put into operation. Those are amounts that we would be expected to generate from those tax sources well beyond 30 or 40 years, as long as the facility continues to operate.

Those numbers are not necessarily inflated, so we would expect those numbers to rise over time on an annual basis.

Chair Kirkpatrick:

Mr. Anderson has a question.

Assemblyman Anderson:

Mr. Hobbs, these numbers represent the total overall generated, right? That is not how much is going to the state, because some of that revenue would be part of your financing for the project itself. Is that correct?

Guy Hobbs:

That is correct. The numbers on the middle part of the page—construction and stabilization at \$33 million and \$28 million—are the amounts available to support the project under the legislation as currently drafted. The two numbers at the bottom—the \$23.5 million from the construction and the \$11.5 million on an ongoing basis—would be the amounts of revenue that this project helps generate to fund other public purposes, including state and local governments.

Chair Kirkpatrick:

Are there any other questions? [There were none.]

I just want to follow up on this a little bit. The MBT dollars seem relatively small. Based on paying prevailing wage at the minimum—because it is a public works project or could be considered one—that does not appear to me to have a whole bunch of employees. What are the projected numbers of employees over time?

Guy Hobbs:

There is another handout ([Exhibit I](#)) with the title “The Zone I UNLV Preliminary Economic Impact Consideration.” I believe Mr. Fiorentino referred to that earlier. The fourth bullet point would summarize the ongoing jobs at stabilization, which would be approximately 4,000 direct jobs. The project would indirectly support another 2,600 jobs and induce an additional 8,000 jobs for a total impact of 11,700 jobs when the direct, indirect, and induced employment is included. Because there are components that are unique to this particular project, including the retail, food and beverage, and housing portions,

there is expected to be a much stronger generation of ongoing jobs for this project than perhaps for the others.

The first bullet on that same page summarizes the employment that is expected to occur because of the construction phase—9,900 person-years of employment during construction, which would average out to more than 2,000 jobs per year. However, with the way construction works, there will be peaks and valleys for employment over that time period. When you include the indirect and induced jobs attributable to construction, there will be 19,000 person-years of employment during that period, a substantial amount of employment.

Chair Kirkpatrick:

Mr. Hobbs, I have a question based on section 27. It is the same question I have asked everyone. You may have a little bit of an advantage, because I believe you were here during the big tax shift discussion in the 1980s. Do you see it problematic for the state, if we bond these projects out for 40 years, to consider additional ways to change our tax structure? I believe you were a proponent of the services tax, and you have said every session that we need to do it. I believe the language within this bill precludes everyone from doing it. I wonder whether you have any thoughts on that.

Guy Hobbs:

I do. I would say that “problematic” might be an interesting word to use. Perhaps “inconvenient” would be a little bit better. If the state modifies its fiscal structure, and if one of those modifications happens to be elimination or modification of the MBT, which I know has been discussed during this session, the state would need to do one of a couple of things. This would presume that any of the projects would have pledged the MBT for bonds. If that were the case, and the state chose to modify its fiscal structure, the state would need to replace the MBT as a pledged revenue in the future with a new source of revenue of equal or greater value or credit quality, if you will. I know the Margin Tax or transaction-oriented taxes could fill that particular role, as long as the tax would offer the bondholders the same level of comfort that they formerly had under the MBT.

A second way of doing that would be for the Legislature to authorize another local unit of government, to assure equal and uniform taxation across the state. Hypothetically, that would authorize either the Clark County or the University of Nevada, Las Vegas, to continue the imposition of the MBT within just this district, notwithstanding any changes that the state may make.

My answer to you is that, while it may be somewhat of an inconvenience, there are ways that this could be handled without precluding your ability as the Legislature to modify the fiscal system.

Chair Kirkpatrick:

That brings me to my point.

We had some very good discussions about changing our tax structure for the future, and I believe this Committee is very open-minded and, in a bipartisan way, will be looking and discussing the issue during the interim. However, we can never seem to make a change because we have, you know . . . I do not know the right term to say, and I want to be careful about what I say, but we have always pretty much handcuffed ourselves when exempting folks. We have exempted the National Association for Stock Car Auto Racing (NASCAR). We have put things in the *Nevada Constitution* that have prevented us from going forward. If we have to replace this structure, then we have to hope that the Impact Analysis for Planning (IMPLAN) model from 1987 in Minnesota, which every state uses to determine economic feasibility, is going to hold up for another 40 years because we do not have a way to ensure that we can get additional revenues.

I look back to your studies from the 1960s and the early 1980s, and I am wondering if there is another way to ensure that we could capture some additional revenue when all of these are tied up, or as you said, we would have to replace them.

Guy Hobbs:

I will not take credit for having done the study in the 1960s. I do not believe—and I have spoken to bond counsel about this as well—that this legislative body would be handcuffed in any way as far as modifying your fiscal system in the future if the MBT in this particular district were pledged. There are simply a couple of other steps that we would have to go through to make sure that we were not compromising our agreement with bondholders. Again, we have identified at least a couple of ways that that could happen. There clearly is no question that your attention to bringing the fiscal structure of the state in line with the new realities of our economy is an extraordinarily important thing. We certainly would not want to be a part of anything that would restrict that. We do not believe this does that at all.

Chair Kirkpatrick:

I ask you because you have been here when all these discussions have been taking place. You have also been frustrated with the Legislature, and you have encouraged them to look at the way the economy works.

Are there any questions from the Committee on sections 28 through 31?
[There were none.]

I just want to be clear about leasing naming rights. I forgot to ask the other two speakers, but I will follow up tomorrow. Does that play into a part of the pledge dollars, or is that considered to be part of bringing the team here and tying up those dollars? I am talking about when the UNLV Runnin' Rebels were really popular or when the Wolf Pack leased its name out at UNR so that they could get steady revenue off of it. How does that all work in here?

Mark Fiorentino:

The language is broad enough to allow us to include that potential revenue stream in our pledged revenues—not just that one, but other revenue streams produced by the project. I am not sure we are far enough along to know exactly what component that will go into, but the language is written broadly enough to allow us to include those revenues in our pledged revenues.

Chair Kirkpatrick:

Are there any other questions from the Committee? [There were none.]

Let us go to section 32. Are there any questions? [There were none.]

How do you, for one, envision how the process in section 32, lines 34 to 37 [on page 15] works by having to go through the Board of Regents and the Clark County Commission?

Mark Fiorentino:

I think that is a two-part question. We are okay with the first part of section 32—the process. By definition, we have two governmental entities involved. The Board of Regents has to initiate the process in our case by requesting the county commission form a district. We do not have any problem with that language. We are ready to go. I think you heard testimony yesterday that the Board of Regents is ready to act at their next quarterly meeting if you give us the authorization to do so.

As a matter of pure caution, depending on how the rest of this bill works, this section may need a little modification. The sections that were added later on, dealing with the county's time frame to begin accepting applications and the time frame to act on them is not entirely consistent with this section. However, it is an easy fix.

With respect to the specific requirements in section 32, subsection 1, paragraph (d), we did not have any objection to those being added to the bill.

Gerry J. Bomotti, Vice President for Finance and Business, University of Nevada, Las Vegas:

I talked with bond counsel, and he had one concern with the way section 32, subsection 1, paragraph (d) is written. He would like the words “pledged revenues” in line 36 changed to “taxes” because of the way the Board structure and definitions are of pledged revenues. He felt the intent was to finance only with the taxes from this district and not other potential pledged revenues relative to the event center being, in essence, first [to be built].

Chair Kirkpatrick:

Tell me again. Everywhere else in the bill, even in section 25, it talks about pledged revenues, and it also gives you the ability to have a payment in lieu of taxes.

Gerry J. Bomotti:

Again, our bond counsel thought this particular addition basically said that the events facility would have to be first, anticipating that they may want to have additional pledged revenues. The more precise definition would be the taxes and replacing “pledged revenues” with “taxes.” That was his comment to me on this language that was inserted.

Mark Fiorentino:

Madam Chair, I think I can explain it. It actually makes sense if you step back and understand our project. Our project is much broader than just the events facility itself. It generates licensing fees, potential retail sales, and so forth—other things that are not the public component. Your intent, I believe, was to not let us tie up the public component until we started the arena. That change would allow us to tie up the nonpublic components. When you think through that, it makes some sense with our project, because it involves housing and other things.

Assemblywoman Benitez-Thompson:

Thank you for using the word “tax” and clarifying. That is what we have been trying to get to—the amount of public money being pledged.

Chair Kirkpatrick:

Are there any other questions? [There were none.]

Section 33 talks about creating only one district and the 25th anniversary review. I go back to what I talked about earlier and how Virginia does it. What are your thoughts on those pieces going forward?

Mark Fiorentino:

I do not think we have the same objection to the 25 years that was expressed earlier. It makes sense to review, on some periodic basis, these revenue streams to understand that they are still necessary for the different components of the project. There is some language there we need to tweak a little bit, and I think you will have to do so when you reach the final decision on the 30- versus 40-year term and the effective day of the act; but the concept is a good one, and we support it.

Chair Kirkpatrick:

From my perspective, 40 years is too long [for the authorization], but 25 years is much too long to wait to see whether revenues have increased over time.

Are there any other questions from the Committee? [There were none.]

I want to talk about subsection 3 of section 34 regarding a nonprofit organization. Assembly Bill 1 was signed by the Governor, and that makes us look a little closer at nonprofits [such as state boards and commissions]. What would be the reasoning for having a nonprofit within a district?

Mark Fiorentino:

That is a two-part question with a two-part answer. I will answer the easy part. Section 34, subsection (3), lines 41 through 45 just make clear what we talked about earlier. It simply says that in our district, the University or a nonprofit organization has to own or lease the property. With respect to how they use those nonprofits and their intent, I would like Mr. Bomotti to address that.

Chair Kirkpatrick:

Okay, go ahead.

Gerry J. Bomotti:

This may also relate to a later section [section 42] which allows the Board of Regents to establish a separate nonprofit board to help manage the project. The Board of Regents generally meets four to six times a year, and it is anticipated that the start of this project would require a lot of activity and meetings. The Board has, on a regular basis at all the campuses, established what you probably know as the "foundation boards." The Board of Regents (Board) has total authority over those nonprofit boards and their membership. The Board can control the activity, and it tends to populate those specialized boards with people who have particular expertise and provide support for the institutions, in our case, UNLV. The Board would ask those members of the nonprofits to deal with day-to-day management issues and make sure this business deal was good for UNLV and met all the requirements. Plus, this nonprofit board would obviate

the need for the Board to meet weekly for some period of time, and it would provide reports to the Board on a regular basis.

There are some anticipated properties in the district that the Board of Regents did not own, and this would be just some general language to encapsulate that circumstance.

Chair Kirkpatrick:
Ms. Neal.

Assemblywoman Neal:

Thanks, Madam Chair. What are the powers of the nonprofit? Section 42 lays out the actions that may only be taken by the Board. But for the nonprofit corporation itself, what are they going to be responsible for? Would that be the contracts that are created?

Gerry J. Bomotti:

I do not think so. I think what is contemplated is that if this development goes forward for UNLV, the Board of Regents would have to take action on not only the provisions in the bill that would have to go to the county commission, but also on land leases and operating agreements relative to the individual parcels on the campus. Once the Board adopts and approves those, the intent is that would set the structure and foundation for contract management by the nonprofit board. If issues came up with leasing or use that was defined in that contract, the nonprofit board would be able to deal with those particular contract management issues after the Board of Regents has already adopted those contracts and parameters.

Assemblywoman Neal:

When you were giving your examples about the contracts, I immediately went to section 40. In the situation where the Board sets the terms and does the agreement, it is only the approval of the Board's members that is needed after the Board adopts the resolution. The Board does not go back to the county for a contract where they are seeking a reimbursement or trying to get payment, things dealing with the performance of any obligations. Is it just a Board decision?

Mark Fiorentino:

Yes and no. The Board of Regents makes the initial big decisions, such as whether to form the district, how big the district should be, which taxes should be requested, et cetera. The Board then has to go to the Clark County Commission. The commissioners then have to approve all of those things. Once that is done the commission forms the district, approves the taxes,

creates the model for how the revenues are collected and distributed, and so forth. Then the Board of Regents generally manages the project. The Board would issue the contracts and manage the project from there on out.

We are suggesting a subset of that. You really should focus on section 42, because we are open-minded regarding that section. When you have a project of this magnitude, there are so many daily things to do to complete it which the Board of Regents does not need to tie themselves up with. However, there are going to be certain things—the use of money and certain big issues—that you want the Board of Regents to retain control of. We tried to embody what we thought those big things were, but certainly we are open-minded if you think those are not strong enough.

Assemblywoman Neal:

I was just concerned because of the sentence in section 40, where it says that “the Board may pledge all or any portion of the pledge revenues to secure the payment and performance of any obligations under such a contract or agreement, on such terms as may be approved by the Board.” If you are not going to go back to the county commission, yet the Board still retains the authority to pledge portions of the revenue for the performance, then what are the parameters of whether or not it is a good decision and whether or not what is being pledged is appropriate for the performance that you are seeking? I am not saying that the people on the Board do not have common sense; I am saying that when you have the capacity to make that kind of agreement, why would you not go back to the governing body?

Mark Fiorentino:

That is actually a very good question. The answer is mostly in lines 35 through 37 [page 20] in section 40, subsection 4. Remember that the Board of Regents is a separate governmental agency, so it currently has the ability to issue bonds and finance projects. It operates under entirely different statutes than Clark County does. The county has the ability to issue bonds and finance projects. The Board of Regents operates under the University Securities Law. It is the reference to that chapter that answers all of your questions about what parameters the Board has to use. It is all laid out in there, requiring that the Board hold public hearings before the initiatives. It is just a different public body going through the same processes the county would otherwise.

Assemblywoman Neal:

Okay, so basically the short part is you try to do some kind of shared arrangement with each entity retaining their powers, but the only reason why the county was brought in was because of the tax dollars that were being pledged so it would maintain the oversight, yes?

Mark Fiorentino:

That is exactly right. Remember, we started with just our own project. We initially suggested that the Board of Regents be given the power to create the district and to determine, inside the parameters that the Legislature sets in statute, which taxes to use. When we worked with your Legal staff, they said that is not a good arrangement because the Board of Regents today does not have any taxing authority or authority to collect taxes. It was not our preference that we had to set up this two-stage approach, but it was a necessity because you have two different governmental entities that have to work together to first decide how the project will be financed and then to actually manage it.

Assemblywoman Neal:

My last question is related to all of this. It is in section 39, subsection 3, where you establish the priority of how the money will be used. Give me an example of how those subaccounts would be used in this context for this project.

Mark Fiorentino:

Your Legal staff asked the same question. The point for us is that we might do multiple financing. We might issue multiple bonds. It is just an accounting thing. If we pledge revenues for this series of bonds, we want the pledged revenues to be in an account tied to those bonds. If we do a second series, we can have the dollars tied to the issuance of those bonds.

Assemblywoman Neal:

Thanks.

Chair Kirkpatrick:

Mr. Anderson.

Assemblyman Anderson:

Before I get to my question, I have a follow up on Ms. Neal's comment. Is the reason for the subaccounts because you have a varied-use project for which you want to have different accounts and bonds for different parts of the project?

Mark Fiorentino:

That is essentially it. We are contemplating multiple phases.

Assemblyman Anderson:

Getting back to the nonprofit that would be allowed to be organized under section 42, I am looking at subsection (3), where it addresses, "The term, qualifications and number of members . . ." set by the Board. This Committee

has gone over so many different government boards. Many times you see where there is some sort of standard set, even for the Governor. The Governor can only appoint a member with this or that qualification for so many boards. Why would we not structure it the same, where we could determine what we think would be good policy for that nonprofit board so that one person involved has a background in tax policy, is a bond lawyer, or has some related skill-set? I am not an expert on economics, but it seems to me that this is a relatively complicated financing arrangement that would be set up under this legislation. Would we not want to set some sort of qualification so that it is not just simply a "juice job?" I do not know the Board of Regents very well, but it is not about any particular member on the Board now or anything else. We are writing policy that has to last. If we are going to do this, why do we not set some qualifications?

Mark Fiorentino:

I will give you a partial answer. Mr. Bomotti can jump in if need be. I am reasonably sure that that language is just copied. There are existing statutes that give the University and the Board of Regents the ability to set up nonprofit corporations. There was not any specific intent to make it broader or narrower. I think that is just what the existing law is. As we said before, we are agreeable to that.

From what little I know about the members of the Board of the UNLV Foundation, they are very sophisticated and experienced community and business leaders. I think they have done a good job in the past, but your point is well-taken. If it makes you feel more comfortable that you set some basic parameters for who can sit on these particular boards, we are open-minded to that.

Chair Kirkpatrick:

Let us go back to section 34. Are there any more questions on that section? [There were none.]

Are there any questions on section 35? [There were none.]

I am concerned about section 35, subsection 1, paragraph (a), where it reads, "Modify the undertakings or types of undertakings which may be financed with pledged revenues." There is no proper notice for the state, whose taxes are at risk if you change the product that you are building. Is that provision just standard language that we need to revisit? Is there a reason that provision needs to be in there?

Gerry J. Bomotti:

This section, as you indicate, only says that if the Board of Regents wishes to make a modification, they have to go back to the county to get the county commission to agree to it before they can move forward.

Chair Kirkpatrick:

Right. My thought there is that the state is the one that is risking all the taxes. In the past, we have heard from local government that there needs to be some notification.

Gerry J. Bomotti:

That is a good point. I had not thought of that part of it. We certainly would not object to anything put in there that would require some contact between the county commission and the state.

Mark Fiorentino:

May I amplify that a little bit? I think that language was not intended to be as broad as you thought. Remember, ours is a multiple-phase project. If we are really successful, then we can continue onto phases 8 and 9 and continue to develop through the campus. We were trying to look into the future. The first project that we show to the Clark County Commission may only include the first three phases because we have not even thought of phases 4 or 5. When we go back for phases 4 or 5, we are going to have to show the county what those are, because it would have to be included in the undertaking. We did not mean to expand our authority to capture more pledged revenues; we are still limited by the pledged revenues in the previous sections. If we need language to ensure that we do not go beyond those revenues, then we need to include it.

Chair Kirkpatrick:

Okay. Are there any other questions on section 35 for the Committee? How about section 36? Are there questions about Section 37? [There were none.]

I want to talk about this nonprofit. Let us consider what we require on the state level if you set up a nonprofit. Yesterday, I think I heard you say that the University system is going to get back some of the proceeds that are generated on top of the initial dollars. I cannot find that in the bill, so maybe I missed it. But, as a nonprofit, if we set it up through the state, then there are parameters within the state. There is a whole board that falls under business and industry. Since 2007, when we set up the nonprofit for the foundation, we have not heard another word about it. We do not ever get any information on how these nonprofits work. There are some nonprofits out there that are quite wealthy. At the same time, there are many nonprofits that take a very large administrative piece for operating them and dispersing the dollars.

You have not convinced me, I guess, why we have to have a nonprofit to be part of the leasing program. I would think that some of this falls under NRS Chapter 332, which is a state requirement for state leaseings and state lands. It just seems that there would be some state interest in it, and the Legislature should not turn it all over to a nonprofit and let it take the revenue. There does not seem to be any recourse if something goes wrong.

Mark Fiorentino:

I would make a suggestion that would resolve your concern, but maybe take it in a slightly different direction. The bill currently does not require any reporting whatsoever for any of the three proposed projects. I think it is entirely reasonable . . .

Chair Kirkpatrick:

I am going to say not yet.

Mark Fiorentino:

I was going to say it is not unreasonable for you [to require reporting]. I expect you to do so anyway. That would be the first step. With respect to the nonprofit, it is easy to make it clear in the bill that it is subject to the same reporting requirements as everybody else, so that the nonprofit is not used as a tool to avoid reporting to you the information that you want and need.

Gerry J. Bomotti:

I might add that the Board of Regents' own requirements in setting up any nonprofits mandate that it has to report back on a regular basis. It has to have audited financial statements submitted for review. Those can be shared at any time with anyone else, along with any other interim reports that you would like.

Chair Kirkpatrick:

It seems that we are allowing the Board of Regents to give their authority to the nonprofits to make business decisions for us. Is that how I am reading it?

Gerry J. Bomotti:

I would say that this would allow the Board to define the parameters for a nonprofit board to operate within, so that the nonprofit could in essence be a contract manager for what could be a fairly complex set of agreements with a developer that may need weekly attention. Populating that board with people who have skills and abilities in those areas would steer things in the right direction for the University. It does not require the Board to establish that; but the Board, I would say, has had very good luck in taking some of these structures, such as the research park, and appointing a separate entity the

Board has control over to manage the day-to-day activities of that particular asset. It remains an asset of the Board of Regents, though.

Chair Kirkpatrick:

Currently within statute, state properties do not have the provision to do certain leases for different things. That provision was taken from them in 2005 because there seemed to be some abuse with how those leases went. Now they are required to do two appraisals. Is there an RFP for this nonprofit that is going to be selected? Is there an appraisal process to ensure that we get the most dollars? Currently, for a shopping center and things like that, you want to ensure that you keep your tenant for a long time. You establish a lease.

I am wondering if that was skipped based on NRS Chapter 332, which would require them to go through that process. We have a bill this session that would allow the state to do leases. Is that within this area allowing you to go outside those parameters?

Mark Fiorentino:

Those are legitimate concerns in regard to section 42. That is the section that limits what the nonprofit can do. Again, you could easily add provisions in there that prohibit them from making final decisions on leases, for example. You could allow them to make recommendations to the Board of Regents but limit their final authority. When I said we were open-minded, this is a very good example of that.

Gerry J. Bomotti:

It is not anticipated that this separate entity would manage the day-to-day activities of this development. It would manage the University side of that in our contract with the developer, who would have day-to-day responsibility for and have a need to make sure all the space was rented or leased. It was never intended that this group would look at the entire development. It would manage and protect the University aspects of this project and not manage the entire development.

Chair Kirkpatrick:

The only reason I ask is because we leased out our name for a long time, and we are stuck for a while.

Craig Cavileer:

We, as the master developer of the UNLV project are an actual tenant on the land. We will be leasing, but we do not have that agreement completed. I would not think of us as only a tenant on that property. We will be operating component by component; designing, developing, and operating different

components from sports, entertainment, retail, housing, and any other things we might invent along the way that makes sense to the University. We are the ones, as the developer and master partner with UNLV, who would be operating it day-to-day. We will have to report to a board and ultimately to the Board of Regents for those strategic and tactical decisions that reach certain levels, but we are not going to go to the Board of Regents for an approval of a Starbucks lease of 1,200 square feet, for example.

Chair Kirkpatrick:

Ms. Benitez-Thompson.

Assemblywoman Benitez-Thompson:

I want to backtrack for a moment. Going back to the numbers that you gave us on stabilization, is the consolidated tax amount in one of the figures? Was that included in the sales tax?

Craig Cavileer:

That is a question for Mr. Hobbs, I think.

Guy Hobbs:

Madam Chair, the Basic and Supplemental City/County Relief Tax would be in the \$12.258 million figure that you see under "Stabilization."

Assemblywoman Benitez-Thompson:

I just wanted to make sure. Thank you.

Chair Kirkpatrick:

Are there any other questions? [There were none.]

On section 38, what is the base year? On the financing, based on what is already within the increment, is there a base dollar amount that we are looking at, or does it start effective upon the adoption of the ordinance?

Mark Fiorentino:

It is currently written that you would determine those numbers on the date the district is created. We discussed our willingness to work with you to shift that date to further protect the state.

Chair Kirkpatrick:

I want to point out that section 40, subsection 2 is really consistent with A.B. 376 (R2), which was passed by this Committee as well as the Senate [with amendments]. It is in conference for some changes, but this is a result of

the STAR bonds, which we saw was a problem. This bill does not allow you to move a retailer from within a 3-mile radius.

Hypothetically, when you are building a new stadium or when you are revitalizing the current project such as the Thomas & Mack Center, where we get a steady revenue and you are only taking the increment, how would that affect you by moving it to a different portion of your overall master plan, or does it?

Mark Fiorentino:

This particular section does not, because it talks only about retail facilities.

Craig Cavileer:

May I ask a question on that?

Chair Kirkpatrick:

Yes.

Craig Cavileer:

This is the business we are in. If a tenant exists within the 3-mile district, and the business is unsuccessful in its current location, and it chooses, because its lease is expiring, to end that lease and then come over to our project, I am sure that would be accepted. We did not solicit the relocation that it chose on its own in a free market to locate there.

Chair Kirkpatrick:

Honestly, that is probably not correct. Let me say why. It has been a huge problem. From our perspective, and from what I know about STAR bonds, the reason is because retailers may not be successful in their locations, and they close. Maybe there needs to be some language in here that limits it to one year or something, but we have seen quite consistently on the retail side—at least in the north—retailers move from one location where they are paying 100 percent of the tax to a location where they are paying zero percent of the tax. For us, that is a huge hit.

Craig Cavileer:

You might consider some solicitation language that expresses that you will not actively solicit a retailer to relocate within a district or within a 3-mile radius. There could also be some language with respect to an expiration of a current lease someplace. But, I do not think that if someone is gone, they should not have the right to relocate later.

Chair Kirkpatrick:

I do not disagree. However, in Kansas in 2007 they changed their requirement to 50 miles because folks were constantly moving into the newer areas. Up here [Northern Nevada], it was ridiculous to the point where the developers were giving away free leases. Not only were the retailers not paying any taxes, they were not even paying any money to the lease holder. But then they actually left. They ran their business for free, essentially on the backs of the master developer as well as the taxpayers. There is a little bit of history as to why that is.

Craig Cavileer:

If you want to exert the ultimate flexibility and allow the market to decide what should happen, you could allow for a relocating retailer to pay taxes to the extent that they would like to relocate and expand from one location to another and build something dynamic on which they actually pay taxes. They can move, but they would have to pay taxes if they did that.

Chair Kirkpatrick:

I think that is fair. Does anybody have any questions? Mr. Anderson.

Assemblyman Anderson:

Thank you, Madam Chair. I would feel more comfortable upping that radius from 3 miles. We talked about this in this Committee already when working with Assemblywoman Smith and her bill to fix STAR bonds. It is something in which we are already versed.

Just hearing about what happened in Sparks with the STAR bonds, I would feel much more comfortable if we expanded the relocation zone as well. I think it sounds pretty fair if we make a separate mechanism for someone.

Chair Kirkpatrick:

Mr. Anderson, is this consistent with the language in A.B. 376? Three miles is quite a range when you are talking about the Strip. That would take you south past the South Point Hotel Casino. It would take you east past the Boulevard Mall. Going west, it would take you to about Decatur Boulevard. Northward, it would take you to about West Sahara Avenue. It would be hard to bring in any business that was not already in the area. Three miles is good. However, if retailers are going to move, they should not get the increment right away.

Mark Fiorentino:

Madam Chair, I know you keep looking at the clock. I just want to make sure.

Chair Kirkpatrick:

We are getting through this. I will suffer my own bill to finish this.

Mark Fiorentino:

I want to make sure that our answer on the 18th month is part of the record when you get there. The 18-month time frame is something you have been discussing. We want to make sure that we subject ourselves to that question and provide an answer.

Chair Kirkpatrick:

Luckily, with the way the Senate works, they will just cancel the Revenue meeting for today until 7:30 tomorrow. So, I have time. I have another 12 hours.

Are there any questions on section 41? [There were none.]

This kind of goes into the whole thing of . . . I just want it to be clear that you cannot rebond once you have created the district. Is that the basis of what this says?

Mark Fiorentino:

Not exactly. This is standard language that, I think, comes from either the tax increment chapter or the STAR bonds chapter. It prohibits you from "double-dipping."

Chair Kirkpatrick:

I am not sure if you answered this question, but when we talk about section 42, subsection 3 and how, "The Board may appoint one or more of its members to the board of directors of the nonprofit corporation," that, to me, reads that the Board can appoint themselves to the nonprofit, which I think is somewhat problematic. In local government, we encourage elected officials not do that anymore. Is that your understanding?

Gerry J. Bomotti:

Again, it is open to some adjustments. Generally, the Board likes to appoint at least one member to a group such as that so that one member can keep the Board updated on any particular issues of significance. I am not aware that they have ever appointed more than one. The language does allow it, though.

Chair Kirkpatrick:

Okay. Are there any other questions? [There were none.]

I think we have talked a lot about section 42, subsection 7. I think that there needs to be more clarity, because line 11 says, "The Board may enter into a contract with the nonprofit corporation pursuant to which all or any portion of the pledge revenues is transferred to the nonprofit corporation" That could be a large sum, and I am wondering about the intent behind it or whether it was not very specific language.

Gerry J. Bomotti:

I think the intent was, as we said before, that the Board of Regents took action on the broad parameters of the entire deal, if you will. The ground lease, the operating agreement, and a master development would all still have to be finalized and approved by the Board. At that point in time, if the Board could designate a group of professionals that could help manage the day-to-day activities within those master development, ground-lease and operating agreements, then the Board could look at that as a option to allow them to focus more on the management of the overall Nevada System of Higher Education and be assured that this particular major project moves forward and that all the day-to-day activities were addressed effectively. The language in this bill would dictate what revenues were coming in, and this just basically allows the Board to get involved in the day-to-day activities, subject to those agreements.

The intent was trying to look at some efficiency in allowing this to be managed as effectively as possible and to allow the Board to remain updated on all these issues past the establishment of the major parameters of this deal, but spend most of their time on the operation of the Nevada System of Higher Education.

Chair Kirkpatrick:

Okay, are there any other questions? Are there any questions on section 44? Are there any questions on sections 45 or 46? [There were none.]

I will ask you the same thing as I asked everybody else. What about the general revenue bonds? Section 46, subsection 1, paragraph (e) describes an event facility project. Since 2005, we have added a new definition during each session. I wonder if you need to have that provision.

Mark Fiorentino:

This section does not apply to us because we fall under the University Security Law section. There is no intent to use general obligation funds. The backstop for our project is Majestic.

Chair Kirkpatrick:

I am not sure about how much more of the mock-up ([Exhibit C](#)) applies to you. Are there any questions on section 48? [There were none.]

I have a question on the tax structure and how the reporting is done to the State Controller. I wonder, if we are giving refunds, what the intent is? And maybe it does apply to the City of Las Vegas. Mr. Goldwater, it is your turn again. Come on.

David Goldwater:

Thank you Madam Chair. Repeat your question.

Chair Kirkpatrick:

In section 48, on the tax structure and how the reporting is done, what is the structure that you guys planned on? I think Section 48 goes specifically to redevelopment, section 49 goes to option 2, and section 50 goes to option 3.

David Goldwater:

It looks to me to be Legislative Counsel Bureau (LCB) language. It is money in, money out.

Chair Kirkpatrick:

I believe this is where there is a 1 percent charge for the administration of it, and I want to be sure that the City of Las Vegas is comfortable with us charging for a software upgrade on a continual basis.

David Goldwater:

I think there is a 1.75 percent administrative charge.

Chair Kirkpatrick:

Does that go to other agencies? It goes into the General Fund, so it does not go to Taxation. So, that 1.75 percent goes to help all the other agencies disperse the dollars, but as far as the Department of Taxation, they do not necessarily get that.

David Goldwater:

That is correct. I think I am hearing you ask whether the city is comfortable with taking an increment of the increment to pay for . . .

Chair Kirkpatrick:

A piece of our money back to help pay for putting the software in place-that is, straight out, what I want from all three of you.

David Goldwater:

We [the Legislature funded it when he was a member] built the current system. The Automated Collections Enforcement System (ACES) was what was used to collect the taxes. It was, I think, obsolete on the day we approved it.

The entire financing scheme contemplates a bunch of different revenues. How much the state wanted to take would be contingent upon how much support it could garner. I do not know what kind of system the state wants to build, how much it will cost, and whether the state would even allow a revenue source like this to pay for it.

Chair Kirkpatrick:

Hypothetically speaking, I would bet that is how we give retailers 0.25 percent, and we have three years to keep their software updated so they can report their taxes to our state. That is the minimum we would need to keep our software updated for 40 years. This is specific.

I will give you an example. I had a simple bill with the DMV to allow classic cars to forego smog checks. It cost \$14,000 to write the program for a one-time thing. This is a 40-year program. I am asking all three entities [the bill's advocates] to come back with that answer tomorrow. It seems that if we are investing in you, then you have got to invest in us for the long-term. It is not directed at any one of you, but it is going to cost us to put this in place. We may not see a return for three to five years.

Let me say this: the bottom line is I do not believe we are going to see a return for three to five years when it is fully built out. Where we make money for the state is through the Sales [and Use] Tax. We are being asked to give that up with all of the projects. With all the materials purchased, we do not make any money. We also make money on MBT when folks go back to work, but we are being asked to give that up, too. Until the project is up and running and we have people out there working, there is no expendable sales tax dollars to be used back within the system. That is based on the IMPLAN model when you talk about putting dollars back into the system. That is why I am asking. I am not picking on the City of Las Vegas, but each of you is here; you have to invest something as well.

David Goldwater:

No question. I will certainly go back and ask. I think everybody feels that the economic impact is greater than being simply limited to that small area. We think that the people working on the project will buy houses, go to grocery stores and movies, and do all the things that economic prosperity creates. These projects act as catalysts, and I think the state will see an immediate

return, especially because the LSST is left out of all of this. For sure, there will be a benefit to the schools.

Chair Kirkpatrick:

I do not disagree. I just wish I could verify some of it, because it is very hard to do. Using Symphony Park as an example, I get that the IMPLAN model says that for every 300 square feet in an office building, you should have a quarter of a person working there. But we never go back and look at how many people were actually hired and how many are in those offices.

I am a skeptic, but at the same time I believe in economic redevelopment. Some day I am going to take a plan and make sure it did exactly what it is supposed to.

David Goldwater:

On the city's portion in section 9, you will also note that it is only 75 percent of what is raised. It is unique to the city's project. The other 25 percent is a day 1 immediate impact. The others are 100 percent. The city's portion is an immediate impact on the state Sales Tax.

Chair Kirkpatrick:

It is 25 percent, correct?

David Goldwater:

That is correct.

Chair Kirkpatrick:

Ms. Benitez-Thompson.

Assemblywoman Benitez-Thompson:

I am sorry to beat a dead horse. I am trying to wrap my head around this. I think the Sales and Use Tax and the consolidated tax [referring once again to the City-County Relief Tax] are being clumped together. It is important for me to know the impact of each of those. I do not know if either one of you has those numbers. I am looking at the gentleman from Las Vegas for the breakdown on that \$12 million and which part of that is the Sales and Use Tax and which part is the consolidated tax. The same question goes to the representatives of the Las Vegas stadium. If you need to get back to me, that is fine.

Mark Fiorentino:

First, I will answer your first question on behalf of the UNLV Now project. The answer is yes. We would be happy to work with you with provisions in this bill

that would fund the programming the state needs to track this during the ramp-up period.

Chair Kirkpatrick:

Let me be clear. I am not just asking for figures at the beginning; I am asking about the life of the project.

Mark Fiorentino:

I understand. I heard what you said—that the software would need to be upgraded. I will ask Mr. Hobbs to answer Assemblywoman Benitez-Thompson's question about the makeup of our component.

Guy Hobbs:

I suppose the sales tax number you are looking at under "Stabilization" ([Exhibit J](#)) applies to construction as well. There are actually three components of sales tax that comprise those numbers. One is the 2 percent state rate; another is the 1.75 percent Supplemental City/County Relief Tax; and the third is the 0.5 percent Basic City/County Relief Tax. If you want to look at a rate equivalent for those sales tax values, it would be a rate of 4.25 percent.

Assemblywoman Benitez-Thompson:

I want to know what the consolidated tax is. You can clump NRS Chapter 372 and the Sales and Use Tax [the two are the same]. Those two can go together, but I am just looking for the distinction between the impact on the state and the local area. For me, it is helpful to have those two numbers broken down.

Guy Hobbs:

I will get that to you. Let us use the \$12,258,122 figure under "Stabilization." When you look at those numbers, roughly 50 percent of that would be impact to the state, and the other 50 percent would be impact to local government. They would be your City/County Relief Taxes, and they make up [part of] the consolidated tax.

Chair Kirkpatrick:

Section 49 applies to Mr. Milam. I just want to be clear that when we adopt an ordinance, the Property Tax stops. We need to maybe have a trigger mechanism in place. The ordinance, based on the language of the bill, could be adopted in January, but you would not actually start going forward until November. That would hold up the local government's dollars.

Jon Snyder:

As we discussed, they are vacant lands. We would absolutely be happy with that. There are no problems.

Chair Kirkpatrick:

What about the 0.25 percent to help administer our [tax collection] software to keep the project going?

Jon Snyder:

We would have no problem. I would even offer to take it a step further. You could base it on actual costs, where the controller takes out what the actual costs were in case they go above or below [the 0.25 percent]. We are happy with 0.35 percent.

Chair Kirkpatrick:

Thank you. Section 50 applies to the University. Does anyone on the Committee have any questions? Ms. Neal, do you have a question?

Assemblywoman Neal:

I guess I am just curious about something. Mr. Snyder, what were you willing to have taken out of section 49 or not have calculated?

Jon Snyder:

Regarding the administrative or software costs, we would be willing to allow the state to remove those costs from the account before it distributes the revenue to the project or the bonds.

Assemblywoman Neal:

I guess I am curious because earlier in the testimony, someone said, "Oh, if there is a conflict, we will take it out. We will take out MBT." You could not take out the sales tax portion because it had to do with S.B. 502, which we have not seen. I guess I am just curious. You are willing to cut so many things which are eventual costs to you. What is the true profit that you are really going to get from this project? It must be good.

Jon Snyder:

We were not actually talking about the sales tax. It is the line [page 5, line 11] that mentioned anything additional that might be added in the future. We never contemplated anything additional in the future. The sheet we handed out ([Exhibit J](#)) shows the distribution among the various taxes. The MBT, according to our calculations, was actually very small compared to the other components. It seemed to be causing quite a headache over whether it would go away or come out. We went back and reran the numbers and decided we could take that out without hurting ourselves too much.

Christopher Milam:

I would like to expand on that. The MBT for us was very minimal because our district is just around our three buildings; whereas, for example, for UNLV it is a much larger area. Listening over the last couple of days to the potential issues in the determination of the MBT, it was no issue for us to remove it.

With respect to the last issue, we have to look at scale. I do not know if it [the administrative cost] is \$100,000 or \$1 million, but it is a \$2 billion project. We are investing an enormous amount of equity and borrowing an enormous amount of money—in the billions of dollars. There is risk, and we are very serious about what we are doing. But when you are talking about funding the state's cost for computer systems and software, it is not [more than] a rounding error. Why would we argue that the state should not have the proper hardware, software, and people to administer the collection and remit the taxes and take out what those costs are before they remit them to us? Whatever they are, they will be appropriate, I am sure. It is not even a discussion.

Chair Kirkpatrick:

Mr. Livermore.

Assemblyman Livermore:

Thank you, Madam Chair. My question is along the same line as Ms. Neal's. I am kind of confused with everybody—who belongs to what project and who does not. If the proposals and the numbers that you have shown us do not eventually come to fruition, what would be your first recourse?

Chair Kirkpatrick:

Well, if you base it on section 46, the taxpayers are on the hook.

Assemblyman Livermore:

Well, that is what I want to hear.

Chair Kirkpatrick:

They all said they could live without that [general obligation backing], so it would be their private dollars on the hook. Las Vegas residents would be on the hook.

Assemblyman Livermore:

Thank you, Madam Chair. I realize that. I guess I asked that question because I want to see the confidence in the faces of these individuals. They tell us that their numbers are legitimate, and they have reason to believe they can produce what is being proposed here today.

Christopher Milam:

With respect to us, we did not request the language [section 46]. With respect to recourse, we do not want the language to stay. It falls completely on our shoulders.

Chair Kirkpatrick:

I guess you all will get a chance to answer that.

David Goldwater:

There is no language for recourse. Mr. Livermore is asking what current law dictates. Current law allows the municipality to act as a backstop. We just do not want to be prohibited from what we are allowed to do today for any of these worthy projects.

Chair Kirkpatrick:

Mr. Fiorentino.

Mark Fiorentino:

I think we are just trying to be efficient with the remaining time of your day. I think you are almost to the point of the 18-month question with us. We were going to let you finish your questions with the others, and then you can finish your pounding of us.

Chair Kirkpatrick:

Okay.

Craig Cavileer:

May I comment on the confidence? I feel it is important to let you know. We have 110 percent confidence for a lot of reasons, but the primary reason is we are already in this business. We own a football stadium. By "we," I mean UNLV Partnership. We own Sam Boyd Stadium; we have been operating it for 25 years. We manage 150 or 160 events a year in the one facility. We already have hundreds of millions of dollars of revenue. All we are asking is to build a building to enhance that. We are not looking for something new; we are looking for a new facility, of course, but we have all the content we need to execute this plan. We will be looking for new, more dynamic, more exciting, innovative ideas.

The confidence lies in our track record. We have been doing this for a long time. The University is in this business. I think you can look at the track record of the University. Someone said it earlier: these tenants are not going out of business. This University is just going to continue to thrive.

Chair Kirkpatrick:

I believe the rest of the bill is pretty standard language on how the distribution is done. I want to have the Department of Taxation come up at the very end. Section 50, subsections 2 and 3 require the establishment of regulations. I want to hear about the time frame on that and the time frame of the UNLV project.

With Assembly Bill No. 621 of the 74th Session, we [the Legislature] had the LEED aftermath; we put some requirements in to allow the state to budget accordingly. From my perspective, there has to be a time frame in here, because what happens if the county waits or chooses not to approve the project? What happens, if once the county approves it, somebody does not have the financing in place? We have seen that on renewable energy projects where they maybe are going to come or not come. I think there has to be an opportunity for others to move forward if whoever the winner is cannot make it happen. In Assembly Bill No. 522 of the 75th Session, we put in a requirement of 18 months for them [energy project developers] to come forward and get their permitting and everything in place before they could even actually apply. But I do not think that works for this particular type of project.

My daughter was five years old, when I served on the North Las Vegas Library District. We designed a big, beautiful library. My daughter was two years out of high school before it actually opened. So, that does not work for anybody. I want to hear about some time frames.

Mark Fiorentino:

Thank you, Madam Chair. I am going to frame our answer around the 18 months. You asked earlier whether 18 months [pursuant to section 55, which limits the time period for actual construction after adoption of the county ordinance] is the right time frame to commence construction. We are going to give you a completely different answer from what you heard today. We are nervous about 18 months. We think it is too short. We would be comfortable with two years to commence construction. I will speak for myself and not necessarily for Majestic. As a guy who has represented developers of projects of all scales for my entire career in Clark County, it is unrealistic to me that any of these projects . . . Somebody testified that they could start within the first six months. I do not even know how that is physically possible. It takes longer than that in the county to process the traffic studies and infrastructure studies necessary for a project of this magnitude. By November of this year, you would not have received approvals for a traffic study, so we are very nervous about an 18-month time frame.

Your concern is a legitimate one, because we are talking about a very valuable public asset. The use of that public asset and minimizing the state's risk and protecting against projects not going forward is a legitimate concern. We would suggest to you that maybe you look at a different criterion. Instead of looking at the construction, maybe look at a different criterion or a combination of criteria, something along the lines of when a contractor files the application to the county to create the district, the developer has to demonstrate that he has the contractual obligations necessary to fill the facility to finance the project. That is a much bigger protection against the risk. Otherwise, you are just postponing the risk of somebody failing.

If you say it is 18 months, and I fail 18 months from now, then you have extended to 18 months the whole process before somebody else can even get started. If you push that time frame forward though to the day I have to file my application with the county commission and make me prove to them that I have the contractual obligations to finance my project, I think that is a better protection. I think it is a more direct way to get at what you are trying to get at.

We will tell you openly that it will be very difficult for us if you approve this in an hour, and the county commission approved it at their next meeting, for us to be under construction in 18 months. That is very difficult in some of the permitting and other requirements necessary with the county. It is especially difficult for us because we may have to take some of these projects to the Public Works Board. It may be impossible for us to begin construction in 18 months.

We understand the concern that you have to protect that asset, and you have to protect the tying up of that public asset while you are testing whether people can do the project, but we hope you are open-minded to looking at other ways to get that done.

Chair Kirkpatrick:

I am somewhat open-minded, but I think there has to be a time frame. Even the Las Vegas Convention & Visitors Authority plans their conventions two years out. We have to grab people when they are available. You would not want to plan a major baseball game the same weekend that we had the Consumer Electronics Show. That could be a nightmare, depending on where the project was. If the project was downtown, we surely would not want to plan a huge soccer event during the World Market Center's Furniture Convention. It is already congested now. You would have to move people by helicopter to get down there.

There are other folks who have to plan, so you still have to have that out. I know that some hotels have 5- and 10-year contracts. I do not know what the answer is today, but there has to be a time frame. I will ask you all one more question, and then we will leave to go to the floor.

Christopher Milam:

We have been working on this project for almost two years, so we are quite advanced in design. The contractor has been on board, providing their preconstruction services for almost a year now, as have Morgan Stanley and Goldman Sachs. We are confident that we will be able to start before the end of this year. We think the time frames are too long for the converse reason. The time to do this is now, because the cost of almost everything in the project is as low as it is going to get. It actually takes six to nine weeks to process traffic, infrastructure, utilities, and so on through the county.

Chair Kirkpatrick:

You must be paying for expedited service.

Christopher Milam:

This is not 2005. That is the issue. There is nothing going on in Las Vegas right now.

Chair Kirkpatrick:

I am just saying, to even get on the agenda takes six weeks. I was a planning commissioner, and you cannot even get on the agenda until you have met with all of these folks. I just want to be realistic, even though it is slow down there; quite frankly, they move a little slow because they have laid off most of their people.

Christopher Milam:

They are actually moving slower. It takes six to nine weeks to work through the technical studies. Once it is through staff, it is probably 90 days to get through the town board, Planning & Zoning Department, and the county commission. We are easily fully permitted before the end of the year.

Chair Kirkpatrick:

There are two things I would like to add in regard to policy. One, there has to be a direction for the county commission on what kind of presentation they are looking for. I believe there are probably seven to ten projects for presentation. For the Committee to consider: I think it has to be consistent and the rules have to be the same, because some folks could spend a lot of money doing it, and some could spend a lesser amount. If there is no direction, then nobody is going to do a good job.

Secondly, I do not believe in waivers. If you say you are going to start by this date, and you do not, then you are out that night, and we start over with a whole new project. I have been consistent in that way for a long time. I appreciate you all spending the whole day with us. I could imagine that if this would have passed without any discussion, we would have given away the farm, and you all would have been happy. But at the same time, I think that you guys now understand what our value is—to ensure.

We are being asked to give away an incentive for the long-term. I want to know, out of all you business folks in this building, how many of you will be back with the same enthusiasm in supporting us when we have the discussion during the interim about our tax structure as when we are giving away tax dollars? I just want to put that out there, because you cannot come ask for things if you are not willing to come back and support other things.

Is there anything else? We are going to adjourn until 9 a.m., tomorrow. I know it has been a long day, but if you could get back to us with as many answers as possible, I would appreciate that.

[The meeting was adjourned at 5:18 p.m.]

RESPECTFULLY SUBMITTED:

Mary Garcia
Committee Secretary

RESPECTFULLY SUBMITTED:

Jeffrey Eck
Transcribing Secretary

APPROVED BY:

Assemblywoman Marilyn K. Kirkpatrick, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Taxation

Date: June 3, 2011

Time of Meeting: 8:32 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
S.B. 501	C	Legal Division	Proposed Amendment 7365
S.B. 501	D	Christopher Milam	Las Vegas National Sports Center Proposal
S.B. 501	E	Port Telles	PowerPoint Presentation
S.B. 501	F	Terry Care	Proposed Amendment
S.B. 501	G	Christopher Milam	Community Workforce Agreement
S.B. 501	H	Christopher Milam	Projected Las Vegas National Sports Center Increment
S.B. 501	I	Mark Fiorentino	Preliminary Economic Impact Consideration
S.B. 501	J	Mark Fiorentino	Fiscal Impact Summary