

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

**Seventy-Sixth Session  
June 4, 2011**

The Committee on Taxation was called to order by Chair Marilyn K. Kirkpatrick at 9:08 a.m. on Saturday, June 4, 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/](http://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](mailto: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:**

Carole Vilardo, President, Nevada Taxpayers Association  
Mike Alonso, representing Caesars Entertainment, Las Vegas, Nevada  
Constance Brooks, Senior Management Analyst, Administrative Services  
Division, Clark County  
Alex Ortiz, representing Clark County  
Terry Care, representing International Development Management LLC,  
Las Vegas, Nevada  
Christopher Milam, President, Las Vegas National Sports Center  
Jon Snyder, representing Las Vegas National Sports Center  
David Goldwater, representing Cordish Company and the City of  
Las Vegas  
Port Telles, Development Director, Cordish Company, West Sacramento,  
California  
Steve Polikalas, representing Cordish Company  
Jennifer DiMarzio, representing World Market Center, Las Vegas, Nevada;  
and representing The Molasky Companies, Las Vegas, Nevada  
John Leleu, representing World Market Center, Las Vegas, Nevada  
Josh Griffin, representing MGM Resorts, Las Vegas, Nevada  
Cadence Matijevich, representing the City of Reno

**Chair Kirkpatrick:**

[Roll was called.] There were a couple of members who were fortunate enough to have their bills heard after 8 a.m. Mr. Stewart and I had ours at 7:30 a.m. today, but the others will arrive when they can.

For the Committee, I think we did a very good job on the whole yesterday going through Senate Bill 501.

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

We covered all 50 sections. I think there was a lot of good discussion. I want to remind the Committee members that this is an informational hearing. The bill is actually in the purview of the Senate at this time. However, as we are

running short on time, I want to ensure that we have plenty of time to hear what the potential bill is. I believe that yesterday there were some significant reasons why the Senate may consider modifying and clarifying portions of the bill. I think we vetted quite a bit of it.

There are several amendments today. I would like Ms. Vilardo to go first because she has a host of questions that she needs answered. I do not plan on being here past 10:30 a.m. At the end of the meeting, I would like to ask the Committee members if they have any additional questions so that the folks interested in this bill can get the answers. Ms. Vilardo.

**Carole Vilardo, President, Nevada Taxpayers Association:**

Thank you, Madam Chair and members of the Committee. I want to be clear. We have no position on the bill, but I think the Assembly Committee on Taxation knows that I am always looking at details. I have some questions for your consideration.

I will start with section 9. One of the things is the parking assessment.

**Chair Kirkpatrick:**

Ms. Vilardo, we are working off the mock-up ([Exhibit C](#)). Are you working off the original bill? Okay, go ahead.

**Carole Vilardo:**

Section 9 relates to the parking fees. I know this question was raised yesterday. If you were to proceed with that provision, it needs to be specified as to whether that is a one-time assessment or an annual assessment and exactly what you would do with the proceeds.

Another interesting thing is, at what point are you going to collect the fee? If you collect the fee as soon as an ordinance is adopted—assuming that is what you do—and you have an 18-month period [from that point], and for some reason construction does not begin, then what is the mechanism for the return of that fee? I think that is something that you need to have in statute. There has to be some process to return the fee.

Another interesting point is the location. I think I know the exact area. Roughly a half mile from the site there are some properties—the furniture market is one, which is not opened—that would not derive any benefit from the stadium. This is an interesting departure from the things the Legislature has done. At the very least you need to know the time frame for the fee, and you need to be able to identify, if a project is not approved, how that fee will be returned.

It then appears in section 9, subsection 1, paragraph (d) that you have sales tax being collected from an increment that actually is not in that redevelopment district per se. That is very unusual. I cannot think of any instance where we have done that before. I think this becomes a policy issue for the Committee to determine. Obviously, you are collecting it from an entity outside the district that, it appears, would not receive any benefit from the district. That is not to say that it would not indirectly get a benefit, because it probably would. Again that is a policy decision for the Committee.

There was a lot of discussion yesterday about section 10, subsection 1, paragraph (c). I applaud the Committee for picking up on it. This would be the first time in my memory you would be using state revenues for a local project. There are a couple of questions that have to be begged by this.

There was a very good discussion on the impact of bonding yesterday. I can give you a specific example using the short-term car rental fee. Because of the way the 2 percent portion for the stadium [Aces Ballpark in Reno] was done and because another bill to try to marry [align] what the car rental tax and the sales tax applied to had not passed as yet, when we got out of session, the 2 percent portion hung outside [the aligned taxes]. When we tried coming back in the following session to get that 2 percent portion lined up the way it had been done in the prior session, we were unable to do it because bonds had been issued. If you are being asked to allow the state revenue sources to be used, I think there has to be a very clear statement of intent that the Legislature could change, modify, or eliminate those state revenue sources. Otherwise, we will wind up in the same situation we are in now with the short-term car rental fee.

**Chair Kirkpatrick:**

Ms. Pierce has a question.

**Assemblywoman Pierce:**

Considering what you just said, will we still be able to get bonds, or will that make it impossible or make them much more expensive?

**Carole Vilardo:**

Your question has two parts, Ms. Pierce. First, it is your decision whether to allow it or not. If you put a statement in, it will force the covenants of the bonds to carry that statement. Then it would become incumbent upon whomever is going to finance or buy the bonds to decide how they feel about that particular provision. It very well may make the interest on the bonds higher. I cannot tell you that it would not. That is something you would want to discuss with bond counsel. However, it would generally be that way.

Going back to section 9 and the discussion about the general obligation (GO)-backed bonds [per section 46], it is true that the Performing Arts Center was financed by a GO-backed bond. That effectively means that when the bonds are sold, there will be a provision that says the bonds are issued at X amount, pledged for payback by GO bonds, and additionally secured by a pledged revenue. It is always the pledged revenue that would be used first for payment, but you do need to know that a GO bond is backed by the full faith and credit of the issuing entity. It would be backed by the government in this case.

If there is any shortage of the pledged revenue at any time that the bond is outstanding, then, considering that full faith and credit pledge, there would be an amount paid from property tax. It might be paid directly from the receipts of the government—in this case it is Clark County. It might be a case where you would have to impose a tax rate to cover the payment. You should know that concern exists when using GO bonds.

While the 2 percent car rental tax for the stadium was backed by GO bonds, redevelopment agencies do not have that ability. Redevelopment agencies issue revenue bonds, not GO-backed bonds. That is in section 13, subsections 4 and 5, which are deleted [in the mock-up]. That deletion no longer makes the issuing entity responsible for payments. Because you deleted that, the assumption is that you could use a GO-backed bond.

Because of the amendment in section 12 that eliminates any consideration of gaming, hotel, et cetera, you could probably strike the lines [13 through 27, page 7] that reads, “. . . and; (2) The State Gaming Control Board . . . .” You will no longer need the authority of the Gaming Control Board. As memory serves me, that appears in two different sections.

Relative to the University of Nevada Las Vegas (UNLV) area, because we have been talking about event facilities, that was interesting to me. Any other undertaking—and I think this is a policy issue—could actually mean building an educational building alongside something from the events center.

I think the three projects are absolutely great. Any or all, if the market could bear it, would be a wonderful asset. It reminds me of when we went through that stage in Las Vegas when we had multiple megaresorts being built.

How broad you want to make that within the University undertaking . . . I understand the dormitories as “other facilities,” et cetera, but I wonder if you want to extend it the potential of having school buildings built.

The timing on this is interesting. In section 33, subsection 3 and in one other place there is language referring to a review after 25 years. That language says that review is being done for the purposes of effectively trying to reduce or eliminate one or more of the taxes on the assumption that revenue is coming in better than anticipated, and so the bonds are being paid off on schedule, and you could peel back some level of revenue. But if you issue a 30-year bond, you are not going to do a review. That is the first thing that happens. Also, the facility may look to issue tranches of bonds, which means bonds are sold in more than one series. You could sell for the first phase of a project whatever amount you need, and then maybe three years later sell a second phase for the project. So you are going to have these staggered terms. I can appreciate that you want to have some sort of review, but it should make sense. To me, this does not make sense with those timing issues.

**Chair Kirkpatrick:**

Ms. Vilardo, other states go back and reevaluate their projects to ensure that they are keeping pace with the direction they are headed. I think 25 years is too long. I think that is long enough for the project. However, that is a policy decision, and this is an informational hearing.

What is the language? In other states, they go back and reevaluate a project, and then the assessed valuation changes. The money that was taken from its particular tax was given back or the increment on it was lowered so that the money went back to its original state. That is done very consistently on the East Coast and the Midwest. The West Coast tends to just give away the farm without going back. Illinois does a great job with it, and I think Utah does, too. For some reason, California and Nevada have not figured it out yet.

**Carole Vilardo:**

I will take that question in two parts. First of all, if I am a governmental entity and the voters approve a project, and I go with property tax, existing law reads that as I pay off my project my tax rate is adjusted. I may go out with a \$100 million bond, and I may need a \$.20 rate over 10 years to fund it, but my assessed value is growing at such a rate that I am generating more revenue in, say, the 10th or 12th year. Under Nevada law for the issuance of GO bonds, that rate gets reduced. Many of you familiar with the rollover bonds know that we allow the rate to stay the same, but we are using the increment that is no longer needed to pay the original debt to issue additional bonds. In our redevelopment laws or in our tourism district, there have been no comparable provisions made. That becomes a major policy decision for the Committee.

I have no problem with the reviews, but I think they need to make some sense timewise. In my opinion this does not. There are different conflicts in the bill.

For instance, at 25 years out, you are looking to see, by the nature of that language, if you can remove any of the increment or totally eliminate [the earmarking of] a tax. That language suggests that you are not looking at any of this money to go to operating expenses and that it is probably for facilities and maintenance at this time. Yet, in all of the provisions, it talks about what an events facilities district is and the incremental revenues that can be used. You talk about the facilities, maintenance, and operating. That is another inconsistency in the language. Normally you would allow the whole thing to accrue to the project if, in fact, you were trying to cover operating expenses for some specific period of time. You would probably look at that as a policy issue.

With the language for the University of Nevada, Las Vegas (UNLV) in section 35, subsection 5, if any securities or other obligations are outstanding, the tax must not be removed. That is another contradiction to the 25 years. It is another timeline contradiction. You want an ordinance approved. The general language is that, if the project is approved, the county commissioners must be satisfied with the sufficiency of the revenue. But then you say before you issue the bonds that you want the commission to conduct a feasibility study. That does not make sense. The feasibility study is to the financial ability of the project. The bonds might not be issued for two years or, because you want the discussion started within 18 months, may not be issued for another year. What do you do? You find out that the project is not financially feasible after you approved the project. It does not make any sense to me.

**Chair Kirkpatrick:**

Mr. Anderson has a question.

**Assemblyman Anderson:**

Thank you, Madam Chair. Ms. Vilardo, I want to address your comment about section 35, subsection 6. The tax must not be removed. That is what we heard yesterday. Is that correct? We heard that if we go forward with this, we could not change or get rid of the Modified Business Tax (MBT) for tax reform this session. We would have to keep it as it is for that district to satisfy this language and the bonds.

**Carole Vilardo:**

Mr. Anderson, that is the reason that you need bond counsel here. You need bond counsel to determine whether or not you can put something such as that in the covenants of a bond and how it would impact the bonds. That is going to make a difference to anybody looking to finance these events centers, and it is going to make a major difference to how the developers of these centers look at what is their potential financing and how they are going to use it. I do not feel qualified to answer that question.

**Chair Kirkpatrick:**

And, you know, we really do need bond counsel here. I asked yesterday for bond counsel to be here. Did any of the three projects get a bond counsel person? [There was no audible response.]

Mr. Polikalas, are you bond counsel? [There was some indiscernible chatter off-microphone.]

No disrespect, but I want them in the building. For heaven's sake, it is two days until the session ends. If they cannot be in the building, then I do not really care what they say. That puts a big damper on the bill as far as I am concerned.

Ms. Vilardo, it is extremely odd to me that in everything else that we have done we have had the Committee on Local Government Finance be part of the discussion. Whether it be tourism improvement districts or school bonds, we always have at least some discussion from that committee. I am surprised that they have not been part of the discussion. Is that something that you had thought about?

**Carole Vilardo:**

I would be surprised if they were involved.

**Chair Kirkpatrick:**

Why?

**Carole Vilardo:**

Let me make a comment that I was going to finish up with. We heard of three projects that I think are excellent. And yes, I do like sports—baseball. There has been discussion about in what time frames they are ready to go. In my opinion, because of that October date, you have all of the candidates racing to get something before the commission.

You are saying they have got to choose from the three projects. I want to know why the county commission is choosing a project. I think you should let the marketplace determine that and set it up the same as you did for the tax increment district and for redevelopment. It is the financing that is going to determine the viability of the project. If a project can get the financing, then good luck to them. If three projects can get the financing, then somebody in the financial market has decided that they are viable. That is no different than when we had the megahotels. That is a personal comment, maybe because I support the free market.



I question having county commissioners being the ones [to decide], especially when there are timing issues. Let us say all three projects are ready to go. The county commission picks one project. After the 18 months currently in the bill, maybe you find out that project is not feasible, or there is a delay in getting the project off the ground, or the developer has to scale back; they do not meet the requirements, and you say, "No good." You may have another developer who is prepared to go with another project who cannot begin because of the timing, or they are working on another project elsewhere. We would lose out on that project. That is a huge policy question. Why would you not just let the market determine what is viable?

**Chair Kirkpatrick:**

Mr. Munford has a question.

**Assemblyman Munford:**

Thank you, Madam Chair. Ms. Vilardo, what you are saying is absolutely true in being able to market these projects. I think there is no way the two could equally coexist. Probably one reason for that is we might not have the population. You have to have numbers to fill those stadiums; and if you do not fill them, you are not going to be able to survive. I mentioned yesterday that teams pull out [of the market] all the time. We have been able to survive in this community when it comes to sports because we have had a lot of high-level, professional championship boxing matches. This could really be a market for that, but boxing is something that has to be consistent. The University probably has the best product for consistency because they are already there, and they have already been able to identify a product. If they can continue to be productive and win, they would fill that stadium consistently. They did at one time. That was a premium market for a game during the Jerry Tarkanian era. Can we bring it back to that level? I do not know. That is important, and that is why UNLV needs the new facilities. That is necessary for recruiting. The better facility you have, the better players you are going to get. Usually when a coach is out recruiting players, he first goes to the parents and shows that his heart is in the right place for this mother's and father's son. Next, that player wants to know what facility he would be playing in. He wants to know how many seats are in the stadium and how many people would be in attendance at the games. That is important in getting the top players.

Apart from the UNLV project, a new facility would need a team that is going to be productive and win, whether it be a National Basketball Association (NBA) team, a Major League Baseball (MLB) team, or a National Football League (NFL) team. You have to have a productive product. If you do not, these projects will have a tough time succeeding. You were just saying that marketing is the most important thing.

**Carole Vilardo:**

I do not disagree with you. That is the type of thing that would determine whether or not they could get financing. Look at it this way: I do not disagree with you on UNLV. However, what would happen if the county commission did not pick the UNLV project? By what you are saying, you want UNLV to be picked. The Commissioners may decide to pick one of the other two projects. Under the provisions of this bill, where will you be then?

I heard from these groups that there was one that was looking at primarily an amusement venue. Another involved the University and has a more global purpose for the University, providing campus housing, et cetera.

And then I heard about professional sports teams. If the market determined that two or all three were viable, they would provide the financing. The way financing is handled has become quite stringent. The market is not going to do something that they do not think is going to be viable and get them the interest that they want back. It might cause some of the projects to be redefined somewhat. Again, I asked you something personal to me because I am basically for a free marketplace. I cannot tell you that is even a question I would have asked on behalf of the [Taxpayers] Association, and it was going to be the last one I asked until the question was raised by the Chair.

This goes back to the timing issue. You have a serious decision in processing the bill as to how much authority you want to give the Clark County Commission. There is another issue with the county commission. Do you want to set a precedent with the county commission, regarding having it involved in determining whether or not your state revenues can be used? Remember that you have that provision in this bill. The county commission is the one that ultimately sets the conditions through the ordinance. If it goes through like this, you will set a precedent in allowing it to control, if you will, state revenues. If you want to use state revenues, that is fine, but why would you set that precedent for a local government to control that issue?

**Chair Kirkpatrick:**

Ms. Vilardo, I want to give a copy of your comments to the Committee.

**Carole Vilardo:**

It is more than fine to give anybody a copy of what I have said. I had to put down my notes, because the bill is very confusing to me. In the original format, there were multiple contradictions. At least some of them were straightened out with the amendment where you started to create some consistency between sections 9 and 10 in what could and could not be done, et cetera.

There are other serious policy issues that involve, for one, why the commissioners should approve just one project. If a project is good four years from now but would not actually qualify now, you are forcing them into that October dating; I think that is problematic.

The state revenue issue is another one about allowing the Commissioners to do that, whether or not you allow GO bonds. I understand that the GOs make a substantial difference on the interest rate, but you need to remember that this is a very long project. It [time frame] is much longer than the Smith [Center for the Performing Arts] project for the debt. I sit on Clark County's Debt Management Commission. We approved the Smith bonds. That issue was sold for 20 years. Even 20 years is a long time to make sure that you are satisfied with the revenue sources. If you take them out, somebody could sell 40-year bonds. They are in the market. You can sell 50-year bonds if you can convince the market to buy those.

**Chair Kirkpatrick:**

I have an issue with allowing the Clark County Commission to pick how to spend the state's money. I have been very clear about that from the beginning. I think there must be an independent process in place. I think you have to go through a couple of different steps to ensure that it is fully vetted, because everybody can build. Everybody wants to build. But at the end of the day, it all boils down to just a couple of persons who can actually pull it together.

I do not disagree with you on the county commission. Depending on what side of the bed somebody woke up, that could change the way things are done, depending on who is up for election. If you are spending somebody else's money, you have no skin in the game. They could pick a project based on the most dollars spent in the state, depending on how it goes.

Through STAR bonds, there are a couple of different steps that you have to go through. Would you not want local government finance to have a say in it? Does it not make sense?

**Carole Vilardo:**

I have no problem with putting that on the Committee on Local Government Finance.

**Chair Kirkpatrick:**

Unfortunately, I know you sit on that committee, but I trust . . .

**Carole Vilardo:**

No. I am not on that committee.

**Chair Kirkpatrick:**

Okay, good. Maybe we should put you on that committee.

**Carole Vilardo:**

You could use that committee, a city council, or a county commission and use maybe a 5-year or a 10-year increment to check on the project. You could set up some benchmarks in the legislation, which you have tried to do. However, they are a little inconsistent relative to some of the abatements given. [The benchmark must say that] by a certain time, you must have X and Y completed, et cetera, and have monitoring of those, perhaps by the Committee on Local Government Finance, or the Department of Taxation. It, also, might be a case where you want the Economic Development Commission to take a look.

**Chair Kirkpatrick:**

The only issue with that is we could do that all day long, but we would have no clawback provision if we let them bond.

**Carole Vilardo:**

If the bonds are going to be paid, and you wind up without the facility, the whole onus is going to be on them. I appreciate the clawback, but I do not know whether it totally works in this bill. The closest I can get to anything working would be what I refer to as a "peel-back," if you could determine that part of the revenue that might not be needed. However, I think it is a bit long, considering what we do with redevelopment. We give them [a redevelopment agency] 35 years. The reality is they sell the bonds for 20 years. They use the additional time in that increment to get ready to support their other projects.

**Chair Kirkpatrick:**

That is helpful. I just do not agree with the way it [the process in the bill] was set up. I am here to make sure this Committee gets a fair chance at it.

Do you have more to go through?

**Carole Vilardo:**

No. I think this Committee identified a number of very good issues yesterday. I think the deliberation on those issues will help give you a good product in the end.

**Chair Kirkpatrick:**

Thank you. I am quite proud of this Committee. It did a good job.

Thank you, Ms. Vilardo. Does anybody have any questions for Ms. Vilardo? Ms. Pierce.

**Assemblywoman Pierce:**

You talked about revenue bonds and GO-backed bonds. I cannot find anything on GO-backed bonds on the Internet. Is there another name for that?

**Carole Vilardo:**

I am not sure you would find it even if you searched for it on Google. They are called "double-barreled" bonds. You take a revenue source, and you know you are going to have the revenue source, and that is how you are going to pay your bonds. However, if you go to one area and take revenue and then take Property Tax on the assessed value from another area, that value does not go away. When you issue a GO bond backed by Property Tax, the bond market looks at that as being the most stable source of funding you could have. Conversely, a revenue source might have some ups and downs, peaks and valleys. When you get the revenue but want to be able to go into the bond market and tell them you have an exceptionally good product, you back the revenue with GO bonds. That is what makes the difference relative to the interest rate you will get.

**Assemblywoman Pierce:**

Because it is backed by Property Taxes.

**Carole Vilardo:**

Exactly. If there is any problem with making the payments, the Property Tax kicks in.

**Assemblywoman Pierce:**

Okay, thank you.

**Chair Kirkpatrick:**

Mr. Livermore.

**Assemblyman Livermore:**

Thank you, Madam Chair. Ms. Vilardo, to that point about the Property Tax kicking in, what happens when a community is at the top of the Property Tax level allowed by law?

**Carole Vilardo:**

If a community were at the 3.64 percent rate, then they would have to make some adjustments in their expenditures to cover those payments.

**Assemblyman Livermore:**

So there could be reduced services or other things that that money has been supporting.

**Carole Vilardo:**

That would be the worst-case scenario, but yes.

**Assemblyman Livermore:**

Because 25 years is long time to look out that window and know either the market or the services the community requires.

**Carole Vilardo:**

I have a point of clarification on GO-backed bonds. Those would go to the Clark County Debt Management Commission. The straight revenue bond will not. The financial advisors would have to present a great deal of information for that committee to determine that the coverage ratios were correct and that what was being proposed is absolutely logical. There is a little bit of a safeguard there.

**Chair Kirkpatrick:**

Mr. Anderson.

**Assemblyman Anderson:**

Thank you, Madam Chair. Ms. Vilardo, there was an article in the newspaper this morning about what is happening in Reno now with the Aces Ballpark. Did you see that?

**Carole Vilardo:**

No, I did not, but I think I am familiar with the issue, if that is the one with arrangement that were made with the tax increment district and having a revenue shortfall.

**Assemblyman Anderson:**

That is correct. I am concerned that we could end up there. Are you concerned about that happening with this project?

**Carole Vilardo:**

That could always happen. I never thought we would have an economy like this, where we took such a nosedive. Like a lot of other people, I was bullish. I did not think it [economic growth] could sustain itself at that level, but I did not think it would nosedive.

Chair Kirkpatrick has referenced the Committee on Local Government Finance. The whole issue in Reno is for that committee to come in with a plan and explain how they are going to solve the situation they have found themselves in.

**Chair Kirkpatrick:**

Thank you, Ms. Vilardo. I am going to pass out a clean copy to the members. A lot of issues were addressed yesterday. It will just give you a reminder of some of the questions that came up.

**Carole Vilardo:**

I will remind you that my notes were based on the original bill. When you get to page 5 of the notes, disregard the comment on section 38. Thank you.

**Chair Kirkpatrick:**

Thank you. At this time we will hear from Mr. Alonso. Then we will hear from Clark County. You can come up at the same time. Mr. Alonso, go ahead.

**Mike Alonso, representing Caesars Entertainment, Las Vegas, Nevada:**

Thank you, Madam Chair and members of the Committee. I believe the amendment we submitted ([Exhibit D](#)) is on the Nevada Electronic Legislative Information System (NELIS). That was drafted in connection with the original bill, but I will try to work it back to the mock-up ([Exhibit C](#)).

Currently, Caesars Entertainment is opposed to S.B. 501 as it is written. The reason for that is pretty simple. We are not able to use S.B. 501, so we oppose it on that basis. As you all know, we have an arena project as well on the Strip. It has been the subject of several bills this session. We would like to be included within S.B. 501 if it goes forward.

Going back to the proposed amendment, the first issue is in section 6 and deals with seating capacity. In the mock-up now, it is at 35,000. We are proposing that that be amended to 20,000 seats.

We went through in some detail our arena project when we were going through S.B. 495. One of the things I want to point out to the Committee is that we are talking about an arena that could qualify for the NBA (National Basketball Association) or the National Hockey League (NHL). Our arena proposal is arranged at 20,000 seats. The last two arenas created for NBA or NHL activities opened in 2010. They hold 20,000 and 19,758. Those are Amway Arena in Orlando and Consol Energy Center in Pittsburgh. Those are both NBA and NHL [caliber] arenas. Prudential Center in Newark, New Jersey seats 19,500. That opened in 2007. The Sprint Center in Kansas City holds 19,252. Time Warner Cable Arena in Charlotte, North Carolina hosts the NBA's Charlotte Bobcats. It has 20,200 seats. FedEx Forum in Memphis, Tennessee is used by the NBA's Grizzlies. That opened in 2004, and it seats 18,119. Jobing.com Arena in Glendale, Arizona is the home of the Coyotes of the NHL. It was built in 2003, and it seats 19,000. Toyota Center in Houston is the

home of the NBA Rockets. It also was constructed in 2003 and has 19,000 seats. Oklahoma City Arena opened in 2002. It has an NBA franchise and holds 18,203 to 20,800, depending on the use. It has multiple uses, such as NHL, NBA, and concerts. Staples Center opened in 1999. It has been a highly successful project in Los Angeles. It holds 19,000 to 21,000, depending on the use. There are two NBA teams and an NHL team playing there. US Airways Center in Phoenix seats 19,000 and opened in 1992.

The project that we have been working on for years is one that could accommodate and meet the strict standards for an NBA or an NHL franchise, but it is also something that would be compatible with what Caesars does every day—entertainment, concerts, boxing, ultimate fighting. Any one of those uses would be compatible with our proposed project. We believe that this bill should be opened up so that those kinds of uses can be accommodated. Limiting it to 35,000 seats does not make a whole lot of sense to us.

We agree with Ms. Vilardo. I think the market should decide what is to be built, not Clark County. If you have your financing, then the market believes that you can complete your project. That should be the determining factor.

There are provisions in the bill that say you cannot build a hotel or a motel or a gaming establishment within the district. We understand that point—that you should not be able to finance those things with public money—but it does not seem to make sense to restrict what can be built in the district with private money. The point we are trying to get through in section 7 ([Exhibit D](#)) is that the event facility project may not be able to contain those things—and you may want to make the list more expansive—but if a developer wants to build something within the district that will create jobs, enhance the community, and they want to do it with their own money, and they are not using any of the public's money, why would you restrict the ability to build those things within the district?

Going back to Ms. Vilardo's point, that is why you will see throughout our proposed amendment that we delete those sections that give the county the ability to create only one district. If you create it under section 9, you cannot do it under section 10, and vice versa.

Section 10 is just some cleanup to add the word "construct." We did not know if the current language was broad enough. The rest of language on page 2 relates to the prohibition of any hotels, motels, or licensed gaming establishments. We understand they should not be financed with public money, but they should not be prohibited. That would enhance the project in our



opinion. If the developer is going to build something with his own money, you should not prohibit that.

The amendment in the mock-up has taken care of most of the rest of this. It includes the room tax issue. I will not go through the rest of the amendment.

**Chair Kirkpatrick:**

Thank you, Mr. Alonso. Does anybody have any questions? Ms. Neal.

**Assemblywoman Neal:**

Thanks, Madam Chair. In section 32, subsection 1, paragraph (c) in your amendment, where you said that the word "only" was struck, was that taken care of in the amendment? I was trying to figure out what the insertion of "only" meant. When you go back and read section 32, it says, ". . . must not designate only a portion." What does that mean? Do you want the full amount now designated? I am trying to understand the maneuvering of the word "only."

**Mike Alonso:**

That was just an attempt to try to limit it to those specific taxes. There is language in other sections that seems to allow for the addition of taxes later. That was an attempt to say that those enumerated sources were the only ones that could be used.

**Chair Kirkpatrick:**

Ms. Neal, that goes back to the point we raised yesterday with the separate bill. We also raised the point that it be very clear in all three sections that they could use future revenue from our state. I do not want to speak for you, but I believe if that is what you are trying to do, those are the sections that would probably jog your memory.

**Mike Alonso:**

Madam Chair, I want to be specific. I think Caesars' issue with this is primarily related to the room taxes, and that if you took the room taxes out you could not come back later and somehow add the room taxes [to the financing]. I think it probably has broader applicability than that, but that was an attempt to clean up that language.

**Chair Kirkpatrick:**

Are there any other questions? Mr. Munford.

**Assemblyman Munford:**

Thank you, Madam Chair. Mr. Alonso, in your proposal for seating capacity, you are totally ruling out MLB and the NFL. You are strictly sticking with the NBA, boxing matches, and things of that sort. You are not going into a larger seating capacity at all.

**Mike Alonso:**

Mr. Munford, no. That is not the intent. The intent is that it would be a minimum of 20,000. Right now in the mock-up it is a minimum of 35,000 fixed seats. That would exclude our project. We are proposing a minimum of 20,000, so if someone wanted to build something with 35,000 seats they could.

**Assemblyman Munford:**

Do you happen to know the minimum capacity for an NFL stadium? The seating capacity for the NFL and MLB is much higher than for some other sports. I think the minimum capacity for MLB is higher than basketball and hockey.

**Mike Alonso:**

That is not my area, but I understand MLB is in the mid-30,000 range—maybe 36,000, 37,000, and above. The NFL would be higher than that—maybe 60,000. Again I am not an expert on the size of stadiums.

**Chair Kirkpatrick:**

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

I will point out that currently in Clark County, we have different venues for different purposes of different sizes. They all cater to a specific or a different purpose. I do not see that as leaving anybody out. I think that makes Ms. Vilardo's point, that you can have more than one, depending on what it is, but I do not know that everybody can have a 60,000-seat arena and have it used. Ms. Neal.

**Assemblywoman Neal:**

Thanks. I want to try to understand how this amendment would work. You inserted the word "construct" in section 10, subsection 1, paragraph (b). And then in section 33, it says that, basically, after the governing body creates this district, they shall not modify the types of undertakings which are authorized for the district. That means that once they vet and decide on the district boundaries and the development group, they do not necessarily go back and determine what you are seeking to construct. The county does not get into those decisions, so does that mean that, in the acquisition process, and if you decide to construct anything within that district, you no longer have to seek any

kind of oversight from anyone? I do not know. The two sections together say "shall not modify any types of undertakings." "Undertakings" is kind of vague, so does that mean any idea you decide you have falls under the scope of "undertaking." And then "construct" means within the district, you could do X and Y. You would not have to go back to the county. Is that how you read it?

**Mike Alonso:**

We added the word "construct" in section 10 because it was just that it was new construction and one would be allowed to construct. It was for clarification. In section 33, the only change we made was to delete the limiting of the county to approve one project and foreclose the ability to do the other two.

**Assemblywoman Neal:**

That was existing language in the amendment. That was not your change. That was already written in section 33.

**Chair Kirkpatrick:**

Thank you, Ms. Neal. Are there any other questions for Mr. Alonso? [There were none.]

Ms. Brooks.

**Constance Brooks, Senior Management Analyst, Administrative Services, Clark County:**

With me I have Alex Ortiz, who also represents Clark County. Currently, we do not have a position on this bill for a couple of reasons. One reason is that we have not had a Board of County Commission meeting where this has publicly agendized where it can be discussed among our seven commissioners, and therefore [allow the commission] to make a decision or reach a consensus on this bill. Secondly, it is primarily enabling language, which gives us the ability to do the things that are outlined throughout the bill. Therefore, we do not have an official position. However, we have a couple of cleanup issues that we would like to see in an amendment in the bill. I am not a finance expert, but I will do best to present the amendment ([Exhibit E](#)) on behalf of our Chief Financial Officer, George Stevens, who could not be here today. He asked that we at least get these concerns on the record. Our amendment is on NELIS.

Starting with sections 9 and 10 . . .

**Chair Kirkpatrick:**

Can I start from the back and go forward?

**Constance Brooks:**

Sure.

**Chair Kirkpatrick:**

I think the last amendment pretty much makes my point. In section 55, it strikes out lines 6 through 13. That basically says that you no longer have to consider economic feasibility. You could just pick whichever one you want. That kind of defeats the whole rest of this. I am not picking on you, and I am happy to talk to Mr. Stevens tomorrow, but this is the crux of the amendment. If you are saying you could just pick whatever you want, why bother with what the rest of it says? I am sure Mr. Stevens is listening.

**Constance Brooks:**

I am sure he is.

**Chair Kirkpatrick:**

But you are welcome to go through the front of it, but it is really pointless when the last piece says that, based on sections 2 through 42, you can do whatever you want, anyway. Go ahead.

**Constance Brooks:**

As I understand it, there is a process by which we would need to make a required finding and then go forward with developing our ordinance. Our Finance Department feels as though we would not be able to reasonable make the required finding at the time the ordinance would need to be developed, voted on, and ran through the natural process. We just feel that it would not be reasonable for us to adhere to the process outlined here in the bill. That is why we want it deleted.

**Chair Kirkpatrick:**

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

I think you just solved the whole arena problem. I am thinking, with all the money that is in here, everybody should get together and just build one arena. You said in this amendment, you can pick whoever you want. It is solved. We do not even have to have any more discussion.

**Constance Brooks:**

I did not exactly say that, but we will go with your paraphrase.

**Chair Kirkpatrick:**

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

I definitely want to talk to Mr. Stevens about the section 55 amendment.

**Constance Brooks:**

Yes, Madam Chair. We will make sure that happens.

**Chair Kirkpatrick:**

Thank you. Ms. Benitez-Thompson has a question.

**Assemblywoman Benitez-Thompson:**

Thank you, Madam Chair. Ms. Brooks, I want clarification on your section 9, subsection 5. "If an ordinance is adopted creating a district . . . that portion of the proceeds of the taxes described in subclauses . . ." Are you are looking for a report? Is that what you are looking for when you say the dollar amount of the taxes collected in the district? Do you want to know how much is being collected relative to the pledge or how much is coming back to the county coffers?

**Alex Ortiz, representing Clark County:**

It would be the amount that is actually collected in the current fiscal year from the taxes within that district. The amendment [referring to the new language at the top of the fourth page of [Exhibit E](#)] looks a little bit strange, but it says that "If an ordinance is adopted creating a district pursuant to this section . . . " and then you go to the lesser of "(a)(1) The dollar amount of the tax collected in the district for the current fiscal year; or (2) The dollar amount of the tax collected in the district for the fiscal year in which occurs the effective date of the ordinance creating the district . . . ." I believe there should probably be an "or" at the end of (2). That would be followed by "(b) That portion of the tax in excess of the amount described . . . ." That is the amount above and beyond the 75 percent. [The lettered and numbered parts of the Clark County amendment do not conform to Legislative Counsel Bureau protocols for bill drafting.]

**Chair Kirkpatrick:**

Ms. Benitez-Thompson.

**Assemblywoman Benitez-Thompson:**

Thank you, Madam Chair, for the follow-up. I am confused. Would you not want to know at any point how much of the pledged revenue and tax increment is going out versus how much you are receiving? Do you get what I am saying?

**Chair Kirkpatrick:**

Ms. Benitez-Thompson, let me do this for you. Let me have Mr. Nakamoto address what that section does. I think it is two different things. Maybe staff can clear it up, and then maybe your question will change.

**Michael Nakamoto, Deputy Fiscal Analyst:**

The way I read it, this particular amendment is specifying that only the increment of the revenue generated within that particular district above the base amount is what is actually able to be pledged for this particular project. It has nothing to do with reporting requirements at all. It is just specifying the amount that can be pledged.

**Constance Brooks:**

Madam Chair, may I add that we were not certain whether everyone was aware that city and county tax relief is already pledged. There is a portion of it that is already pledged, so we already have an accounting of what goes in and what goes out. I agree with the Legislative Counsel Bureau in their interpretation that we did not feel that is what this language referred to as far as reporting as well.

**Chair Kirkpatrick:**

Thank you. Does that help clear it up, Ms. Benitez-Thompson? [There was an inaudible response off-microphone.]

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

At this time I am going to call up the City of Las Vegas representatives. Mr. Care, we will go through your two amendments. Committee members, I know that representatives of the University project gave you a copy of their numbers yesterday. I believe they said those are annual numbers. I know that you have on your desks the numbers from Mr. Care, and I believe the city was working on its numbers. Mr. Care.

**Terry Care, representing International Development Management LLC,  
Las Vegas, Nevada:**

I know there were a number of questions raised by the Committee members yesterday, and we have distributed responses to those questions as best we could recall them. Madam Chair, I know you said you want to adjourn at 10:30 a.m. I take it you are only interested in what we have to say about our own amendment. Is that correct?

**Chair Kirkpatrick:**

That is correct. I also want to know about the amendments. I trust they are based off the mock-up. I think that is where Senator Horsford wanted to start from. If you could focus on those, that would be helpful.

**Terry Care:**

For those purposes, I will turn it over to Mr. Milam.

**Christopher Milam, President, Las Vegas National Sports Center:**

Madam Chair, good morning. Our amendments ([Exhibit F](#)) are on NELIS, and they are very minimal at this point. I will comment on the amendments posted.

With respect to section 6 and "event facility," Lieutenant Governor Krolicki introduced some language with respect to Olympic facilities, and Majority Leader Horsford introduced amendments with respect to the seating capacity. Those are both acceptable to us. We do not have any other comments with respect to that definition.

With respect to section 10, subsection 1, paragraph (c), subparagraph (2), we had a minor cleanup with reference to NRS 368A.200. We deleted the words "admission to." That was simply to clarify: it is not a substantive change.

In section 11, subsection 1, where it reads, "An ordinance adopted pursuant to section 10 of this act . . . ," we changed the word "shall" to "may." We think that was just an oversight, because, of course, the property taxes are core [to the proposal].

I will turn the next one over to Jon.

**Jon Snyder, representing Las Vegas National Sports Center:**

I think Ms. Vilardo has spoken to this point. It is really speaking to the 25th anniversary, the look-back, and what impact that has on financing. In the handout we gave you this morning ([Exhibit G](#)), on the second page we show some of the bond terms that have been done in recent financings. All of them are between 30 and . . . . The New Jersey Nets' Barclay Center, the newest arena set to open in 2012, is actually on a 38-year bond. All our models have been predicated on 30-year bonds, and having a provision with some sort of look-back, we anticipate, would be problematic in the bond market. So, we would request that the 25 years be extended to 30. I think Mr. Milam addressed it yesterday where we do not need the full 40 years. It was essentially a 30-year bond term, plus a couple of years to get the construction going. We would be fine with that.

**Christopher Milam:**

With respect to section 55, I want to come back to this. We are not going to introduce specific language to this section, but our request would be that . . .

**Chair Kirkpatrick:**

Mr. Milam, we seem to be missing a page of your amendment. We go from section 14 to section 56. It is number 3 at the bottom, and then it goes to page 5. If we could get page 4 today, that would be helpful. We will get copies, but go ahead and go over it.

**Christopher Milam:**

With respect to section 55, we will not introduce specific language, because this has been discussed a great deal. We would just like to express that we would like the county to be obliged to accept requests for formation of a district upon the signing of this bill by the Governor, if it makes it that far. And then be obliged to make a decision to adopt or not adopt an ordinance within 60 days thereafter. To the extent that we do not start construction within 12 months, then that district would automatically dissolve without further action by the county.

**Jon Snyder:**

Madam Chair, one thing I would add to that is I think we would be more than okay with not actually activating any increment or any flow of funds into the account until construction actually occurs. In other words, the county could approve it. Nothing happens until we actually start construction. If nothing happens after 12 months, the district is dissolved. We never had to set up the software, and no activity in the district ever occurred.

**Chair Kirkpatrick:**

Are there any questions so far? [There were none.]

Once the ordinance is adopted pursuant to section 10 . . . I do not understand this. It [section 11] says, ". . . after the effective date of the ordinance . . . ." You are asking that it now be as soon as possible ". . . any ad valorem taxes levied upon taxable property in the district each year by or for the benefit of the state, the county and any public body must be divided . . . ." What are you trying to do there?

**Christopher Milam:**

We did want to introduce general language because we know the Committee will make a decision about how it should read. Our position is simply that we would like to be able to go to the county and request the formation of a district immediately upon the effectiveness of this legislation, to have them make a



decision within 60 days, and then to have that district triggered in two ways. In one, no increment would be allocated to the district whatsoever until construction started, and if construction did not start within 12 months, the district would automatically dissolve without further action by the county.

**Chair Kirkpatrick:**

I get that you want the time frame, but I believe that this says that you want the county then to decide how those taxes are divided up. Is that what I am hearing? As far as I am concerned, MBT is out. You had better figure out how to repencil your projects. As far as I am concerned, personally, I think that is a bad choice for the state. It appears that this discusses only the ad valorem tax and how it is going to be divvied up.

I want to ensure that the schools are held harmless in NRS 374. I want to ensure that as we have the CCRT and the SCCRT, that those do protect our most valuable services. That is why I ask what you are getting at. I am good with the ordinance, and I do not think that anybody should be able to take any money until the shovel is in the ground, period. Otherwise we are messing up our budget. When we are back in special session, I could not care less if you are doing something because we are trying to fix the budget. That is good, and I appreciate that, but I do not understand the second part of this. Tell me one more time. Maybe it is just the language that is too confusing to me, but if you could help me . . . .

**Jon Snyder:**

I was actually speaking to section 55, which addresses the trigger requirements at the end of the document.

**Chair Kirkpatrick:**

Can we go back to section 11 then?

**Jon Snyder:**

Okay.

**Chair Kirkpatrick:**

Mr. Anderson has a question.

**Assemblyman Anderson:**

Thank you, Madam Chair. I want to clarify what you are proposing for section 55. Are you saying that they would have to pick a stadium project within a certain amount of time? Would they still have the no option, or are we forcing them to have to adopt something?

**Christopher Milam:**

No. Of course, they will have to make a decision as to whether or not they want to adopt an ordinance. We want to be able to approach them the day after the Governor signs the bill and ask them to adopt the ordinance for the project, and then have them obliged to make that decision within two months, which is already a long time. From a procedural perspective, it is necessary.

They may decide after 60 days not to adopt an ordinance. That is their purview, but if they adopt the ordinance, then two things happen. One, no taxes are captured in the district whatsoever until construction starts. If construction does not start within 12 months, the district dissolves.

**Jon Snyder:**

Madam Chair, to make sure I understand your question, are you trying to understand our change from "may" to "shall" in section 11?

**Chair Kirkpatrick:**

Right.

**Jon Snyder:**

As it is currently written with the "may," the county had no discretion on what taxes were included or excluded. Under section 11, everything related to the schools and any voter-approved taxes like the Manpower supplement for the Las Vegas Metropolitan Police Department were all passed through. It was just a question of whether the Property Tax would be included. If you go back to the sheet we provided, the Property Tax is crucial to our financing. We are requesting that that "may" be changed to "shall;" so that we know, if they do adopt the ordinance, whether we get all or none of the Property Tax, the sales taxes we outlined, and the LET.

**Chair Kirkpatrick:**

I want to be clear that we are talking only about the future increments on all of those taxes.

**Jon Snyder:**

Yes, and the county put in language that we are comfortable with and would like to see adopted.

**Chair Kirkpatrick:**

Ms. Neal has a question.

**Assemblywoman Neal:**

Thanks, Madam Chair. I am glad you brought up the Clark County amendment because the way I read "shall," which is different than where you guys were going yesterday, is that you want it fixed. In the county amendment, I am unclear as to whether or not the "portion" meant 75 percent of each tax or whether it is 75 percent of the total aggregate tax. That is still not even understood what that amendment means. What did you understand the Clark County amendment to mean as far as "portion" language added?

**Jon Snyder:**

The 75 percent is relating to section 9, so that is the City of Las Vegas' component and not ours. Section 10 relates to our project. The county amendment clarifies that it is only the increment and not any existing taxes that would be going to the project.

**Assemblywoman Neal:**

In section 10, subsection 1, paragraph (c), subsection (2), you took out "admission to." So, now the scope is enlarged. What, then, will your proceeds encompass?

**Jon Snyder:**

Really, it is just cleanup language. If you look at NRS Chapter 368A, which governs the LET, it depends on the size of the venue. It is really just matching up the language in NRS Chapter 368A. If you have a small venue, it is on the admission as well as, I believe, food and beverage. If you have a larger facility, it is only on admissions.

**Assemblywoman Neal:**

In section 6, I believe that you have "event facility" meaning "any one or more of a stadium. . . ." "More of" means several.

**Jon Snyder:**

Correct.

**Assemblywoman Neal:**

Why?

**Jon Snyder:**

In our project, we have the stadium, the arena, and the ballpark. It is clarifying that we could do all three within that district.

[Chair Kirkpatrick left the room, and Assemblyman Munford assumed the Chair.]

**Christopher Milam:**

The capacity changed. Senator Horsford introduced a requirement for 35,000 seats. The stadium is 36,000, but the arena is 17,500 and the ballpark is 9,000. To make the definition work, one of those buildings must be 35,000 seats or greater to qualify to create an event district. It is simply clarification.

**Assemblywoman Neal:**

We have two amendments that conflict with each other. You want sections 2 and 6 to read "all are appropriately constructed to accommodate a major or minor league sports team" with "all" meaning a stadium, ballpark, and arena.

**Christopher Milam:**

That is correct.

**Assemblywoman Neal:**

And no other type of use?

**Christopher Milam:**

No. You can use the buildings for a lot of different events, but at their core they must be capable of handling those events.

**Vice Chair Munford:**

Are there any questions from the Committee? Ms. Benitez-Thompson.

**Assemblywoman Benitez-Thompson:**

Thank you. My question is on your revised breakdown of projected annual increments collected ([Exhibit G](#)). I see two different total numbers. I wonder which one the tax pledge is. For the state and the county side, is it the \$20.2 million or the \$16.4 million?

**Jon Snyder:**

I apologize. That one is on me. We were up late last night doing this. The \$20.2 million is the accurate number. I also tried to provide a breakdown between the state and local. You can see I dropped a number on the Property Tax. I will get a revised copy out to the Committee.

[Assemblywoman Kirkpatrick reassumed the Chair.]

**Assemblywoman Benitez-Thompson:**

Circling back to something you just said and the premise you put out there, there is no way that this project could happen without this increment. You are

saying that, although you have all your financing in place, you are short \$20 million annually to make this project happen, and that is why you would need the tax pledge from the county and state, and there is no way you could adjust or augment your project to compensate for that \$20 million annually. Or there is no plan B; this is it.

**Christopher Milam:**

This is it. That is why this has not happened in ten years in Las Vegas. You can only get so far. That is correct.

**Chair Kirkpatrick:**

Mr. Anderson.

**Assemblyman Anderson:**

Thank you, Madam Chair. I am sorry to bring this up, but I feel if we cannot do it without the increment, that says that demand is not that strong.

**Christopher Milam:**

No. If you look at the second section titled "Recent Arena Public Contribution," ([Exhibit G](#)) you will see that on average between a low of 71 percent and a high of 95 percent public contribution to arenas and stadiums in other markets. The great benefit that we have is that Las Vegas is a large tourism center in the same way that, for example, Orlando, Florida is. There are a multitude of events and business. We can get about 80 or 85 percent of the way there privately instead of 85 or 95 percent of the way there publicly. To close the gap, we need the increment back to make the financing work.

The fact that Las Vegas is what it is is tremendous. It takes the buildings from being 100 percent publicly-owned and financed to the public only having to recycle the taxes produced by the buildings and contribute a very marginal amount of revenues at the top to get it done.

**Assemblyman Anderson:**

You can understand I get nervous when I hear that the risk is too great unless we have a public portion. I just wonder why the risk is too great. If we have the business, we have the business, do we not?

**Chair Kirkpatrick:**

I am just going to stop you there. I can agree to disagree with Mr. Milam all day, and you can do the same, but the truth of the matter is, if you look around the country, most stadiums that have been built have some type of public financing. That is just what it is, not that people like them built that way, but that is the only way the facilities get built.

I do want to be clear on the record, at least from my perspective, for all of the projects, if 80 percent of the money is privately done, then why in the world do we need 40 years? I would rather give you a bigger piece of the pie for a short term than screw up our state tax structure for 40 years. That is just where I am coming from. I just cannot seem to figure that 40-year thing out. I cannot seem to figure out the 25-year bond issue. Other states have done 10; other states have done 15. I think you guys have to answer that question in 48 hours for me. Ms. Neal, it is not directed at you; it is directed at everybody.

**Christopher Milam:**

We will try to put together an analysis for you over the next 24 hours that is actually a detailed tax-exempt bond analysis to support our position. A part of it is just where the investment market is. We are in this room on the south side essentially, but there is a buy side out there. Thirty-year bonds are roughly where the market is right now. We understand your position, and I am not going to argue with it. You have your own world to live in and that you have to be responsive to. We will just provide the analytical data to help you judge.

**Chair Kirkpatrick:**

Ms. Neal, go ahead with your question. We need to get to the City of Las Vegas because we do have floor.

**Assemblywoman Neal:**

Thanks, Madam Chair. Yesterday Madam Chair brought up that there was no language in the amended mock-up that we were going off of, dealing with the transfer and selling of interest in the property, allowing other people to come in. I do not see it addressed in anybody's amendment. I want that issue discussed. Once you get into this project, how are your interests transferred? What are the limitations on that?

**Christopher Milam:**

For us, there are not any. We are privately owned. There are material issues in section 9 for the City of Las Vegas because it is publicly owned, and the University has its own environment. It is not a question for us.

**Assemblywoman Neal:**

If it is a 40-year bond, you will always own it; you will never transfer a portion of your rights to anyone for any reason.

**Christopher Milam:**

No, we might.

**Assemblywoman Neal:**

Oh, that is what I thought.

**Christopher Milam:**

Why would that be a . . .

**Chair Kirkpatrick:**

Let me tell you what I think she is saying. Nowhere in the bill does it allow you to do that and ensure that the state has to keep within that structure. We learned that in A.B. No. 522 of the 75th Session (2009); we learned that in A.B. No. 621 of the 74th Session (2007). There is nothing in here that says we would not be beholden to the bond company if there is not a provision within this bill that says what happens if you decide to sell or transfer your interest. Mr. Care, you will remember it is in A.B. No. 621. I believe it is in section 15 that specifically talks about that because there was concern in the past. Without that provision, we owe you nothing.

**Christopher Milam:**

I probably just do not understand the issue.

**Chair Kirkpatrick:**

I am saying that future legislators are not necessarily on the hook if there is no provision in the bill that says that you can transfer your interest. We did not agree to allow you to transfer it or to sell it. We made a deal with this particular company, and if they want to transfer or sell their interest, we do not have to honor our commitment. That is my understanding from the 74th Session (2007) with the LEED (Leadership in Energy and Environmental Design) building because we had extensive discussion. At the time, there was discussion that the City Center was going to sell to different entities. That is very specific language in section 15 of A.B. No. 621.

**Christopher Milam:**

We will look at that. I am not sure I understand the issue. I do not know whether it is applicable or not. There needs to be some clarification.

**Chair Kirkpatrick:**

I guess from our perspective, and I do not want to speak for Ms. Neal, but if the intent is to get the bonds and get all the financing and then turn around and [sell the property]. We have been down that road. Fontainebleau [a suspended megaresort project] owes us \$59 million because they did the same thing. The new owner is currently saying he does not have to pay that debt because he did not sign for it or agree to the conditions.

**Christopher Milam:**

That is not where we are coming from. We are building the building. The increment comes into the project, and it is used to support the bond sales. The entity will be there, the buildings will be there, and the bonds will be paid. I do not understand the issue well enough, but we are not trying to do something inappropriate.

**Chair Kirkpatrick:**

It is possible in 40 years that you could change your business plan, and you could sell. I am just saying that if you want to do that in the future, we might want to include that language. Mr. Care.

**Terry Care:**

Thank you, Madam Chair. In addition to the analysis that Mr. Milam said we would provide within 24 hours, here is what I am going to do: I am going to go back to the . . . . I remember all of this, not the specifics that you do, but I will pull the legislative history of A.B. No. 621 and section 15, and I will sit down with the client. We will, in addition to the analysis, give you our explanation and our position. I need to talk to my client about that.

**Chair Kirkpatrick:**

Okay. Ms. Benitez-Thompson.

**Assemblywoman Benitez-Thompson:**

Along those same lines, we should probably get clarification. In the mock-up amendment on page 13, line 9 is where it talks about the original tenant, and it is part of subparagraph (2) of paragraph (a) of subsection 5 in section 16 which provides that all of the agreements that are made for this only apply to the original tenant, which is the first person who leases that building once the property is available for lease.

**Christopher Milam:**

I have not looked at this section, but it seems to me that . . . . I do not understand the reference to tenancy.

**Assemblywoman Benitez-Thompson:**

I am asking you that. I am asking for clarification about this language that would apply to you. It is begging the question that the Chair just had about . . .

**Christopher Milam:**

Give us the section again so that we can . . .



**Assemblywoman Benitez-Thompson:**

It is on page 13, section 16, subsection 5, paragraph (b), subparagraph (2), which begins, "(2) Pursuant to an agreement . . . ." I am just looking for clarification. It refers back to subsection 1 of section 13, which talks about the ordinances that would be adopted by the county to create the ordinance.

**Christopher Milam:**

Okay, I got it. We will come back to it.

**Chair Kirkpatrick:**

I want to go ahead and hear from the City of Las Vegas. Thank you. We will probably have more questions if the bill makes it to the Assembly. I think there has been some fair discussion on our side.

**Christopher Milam:**

Do I have a moment to make a couple quick comments?

**Chair Kirkpatrick:**

Yes.

**Christopher Milam:**

Thank you, Madam Chair. We just want to reinforce that we are opposed to the GO backstops. They are unnecessary. We are also very strongly in favor of the nonexclusivity, and we wanted to echo that from Ms. Vilardo's testimony. We think that is appropriate. We gave general language with respect to the costs associated with the Nevada Department of Taxation's administration of this. We did not offer an amendment, but whatever the costs are, they should be deducted from the account before any money is distributed.

**Chair Kirkpatrick:**

Thank you. We appreciate that.

Mr. Goldwater, go ahead.

**David Goldwater, representing Cordish Company and the City of Las Vegas:**

First, regarding the amendments, we certainly want to concur with the amendment offered by Mr. Alonso, regarding the limitation of seats. It is consistent with attracting NBA franchises and other pro sports franchises, and we want to associate ourselves with that.

Number 2, regarding the mechanism suggested by Ms. Vilardo, as well as others, any mechanism that the Committee sees fit to put in place that protects the state and the taxpayer is something that I think all the developers would be

in favor of. Certainly, Cordish and the City of Las Vegas are in favor of it. Allowing the market to decide is an excellent factor. Removing as much political influence as possible, I think, is the best.

Last, regarding the Chair's comment on tax structure, the city for sure never wants to affect anything that the state will do. These are very small increment districts, and I do not foresee anything being done in these increment districts that would affect any policymaker's ability to change or adjust the tax structure of this state. I think everything that we are referencing are risks that bond underwriters and developers would be taking.

**Chair Kirkpatrick:**

Thank you. Does anybody have any questions? [None did.]

I thank you for getting this to us very late last night. I see that you are working hard to get it.

Ms. Benitez-Thompson.

**Assemblywoman Benitez-Thompson:**

Thanks. I want clarification and to run over the numbers you provided us. I am referencing this document here ([Exhibit H](#)). Sales and use tax from construction is \$5 million. This \$5 million is over what kind of time frame? I do not understand this graph very well. Sales and use taxes are just from the construction phase. There is an initial \$5 million in pledge, with \$155 million of sales, and then \$820,000 annually. Walk me through this.

**David Goldwater:**

The columns do not align too well. It is \$5 million from the construction period. The \$155 million is total taxable sales.

**Assemblywoman Benitez-Thompson:**

Is that sales and use tax revenue?

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

That is construction.

**David Goldwater:**

These are the materials associated with the sales tax on construction materials.

**Assemblywoman Benitez-Thompson:**

Okay. You are saying the \$820,000 is revenue. Is that the tax pledge or . . . .

**David Goldwater:**

That is the sales tax revenue that would be used to service the \$10 million worth of bondable capacity.

**Assemblywoman Benitez-Thompson:**

What kind of time frame is this? For example, on the other project, they let us know that the pledges coming from the construction phase would be about a 4-year period. Is this \$5 million plus \$820,000 for about a 4-year period?

**David Goldwater:**

The \$5 million would be for a 4-year period for construction.

**Port Telles:**

Our project is smaller than those of the other proponents, so it will take less time. It is over a period of two years.

**Assemblywoman Benitez-Thompson:**

Two years, okay. On your sales tax on the handout ([Exhibit H](#)), you show \$10 million, and you have an asterisk by it that says "Bond Proceeds." Could you clarify that?

**David Goldwater:**

Yes. Based on the sales, the \$820,000 of annual increment sales—and again, that is 75 percent—that service is, if you do a bond issue for 30 years, the proceeds from that pledge of revenue pays off the \$10 million of bonds. Mr. Telles can elaborate.

**Assemblywoman Benitez-Thompson:**

Are these the pledges or the revenues? I am more interested in the pledges. These are pledge amounts. I am confused when you say "revenues" and "pledges." What do you mean?

**David Goldwater:**

I do not understand your question.

**Assemblywoman Benitez-Thompson:**

When you say, "talk about revenue," you mean that we are talking about the tax amount that the City of Las Vegas is giving up, right? That is the \$10 million.

**David Goldwater:**

Correct.

**Chair Kirkpatrick:**

Let us go back, though, because I think what she wants to know is, based on the increment going forward, what is the potential loss to you?

**Assemblywoman Benitez-Thompson:**

Yes.

**Chair Kirkpatrick:**

In the numbers that you provided to her, is that the potential loss on an annual basis of the additional increment that you would have gotten? I think one point that must be made is you would not have gotten an additional increment if nothing was built. Correct?

**David Goldwater:**

Correct. The amount per year you are talking about is that \$820,000 figure.

**Assemblywoman Benitez-Thompson:**

Okay, \$820,000. And then the parking revenue is the special assessment that is going to be created that is pledged back. That is \$50 million over 30 years. Is that right?

**David Goldwater:**

Yes.

**Assemblywoman Benitez-Thompson:**

That and the LET would be the impact to the state. That is \$64 million over 30 years. I asked the other two project representatives to provide information about the impact to the State General Fund versus the impact to the county. They did that, and it was really helpful to me in digesting this, the Sales and Use Tax versus the consolidated tax [sales tax portion only]. Is there an easy way to break out those sales tax numbers?

**David Goldwater:**

Yes. They are the numbers in the far right column, where it says, "State Receipts." The proceeds in section 9 are unique in that it is only 75 percent of the increment. From day 1, all of the LSST is not available. That is what the state gets. The state's 2 percent is what this gets, so that is an impact to the state. The \$775,000 under "State Receipts" . . . Let me have Mr. Polikalas go through it.

**Steve Polikalas, representing Cordish Company:**

We went through these last night to clarify for you. Of the 2 percent state tax capacity, the developer would get 75 percent; 25 percent of that continues on

to the state. That amount is the \$775,000 number. The other part of the 2 percent that the state will not get makes up part of that \$820,000 per year number that was just discussed.

As it relates to the City-County Relief Tax, (CCRT), that number is in the next column.

**Assemblywoman Benitez-Thompson:**

That is the City/County column.

**Steve Polikalas:**

The developer would be able to capture 75 percent of that 2.25 percent rate that is provided for in that tax. Because it is only 75 percent, pursuant to section 9, the traditional recipients of that sales tax for cities and counties would receive \$871,000 per year. For the construction phase, the developer would get \$5 million [75 percent]. The state's share would be \$775,000, and the city and county would receive \$871,000 [25 percent when combined].

**Assemblywoman Benitez-Thompson:**

Would it be \$3.5 million on an annual, ongoing basis?

**Steve Polikalas:**

Annualized, yes. We have the \$820,000 per year that would be captured by the developer for servicing bond proceeds of \$10 million over the course of 20 years.

As it relates to the state, the state's share at 25 percent would translate into \$3.1 million of revenue generated. Likewise, as it relates to the CCRT, the city and county would receive from their 25 percent of that 2.25 percent \$3.5 million over the course of 20 years. Does that make sense?

**Assemblywoman Benitez-Thompson:**

Yes. The total facility cost for \$420 million is over what kind of time frame? There is no asterisk.

**Steve Polikalas:**

The \$420 million is the total construction cost.

**Assemblywoman Benitez-Thompson:**

The number we heard yesterday was \$129 million total for the 30 or 40 years.

**Steve Polikalas:**

The \$129 million total is there at the bottom [[Exhibit H](#), first page]. That is the sum total of the increment collected from the initial construction phase [\$5 million], the \$10 million in bond proceeds that would be recognized from the operations phase, the \$50 million in parking revenues, and the \$64 million in LET. Those would result in \$129 million coming from the increment that is being made available in the bill. We do not have an MBT in here, and I do not think that was ever part of the pro forma of the Cordish Company.

**Chair Kirkpatrick:**

Are you good, Ms. Benitez-Thompson? [There was no audible response.]

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

Mr. Goldwater, do you have anything else?

**David Goldwater:**

No, Madam Chair. Thank you for the opportunity. I think it is very exciting for southern Nevada just to be contemplating these kinds of opportunities.

**Chair Kirkpatrick:**

Thank you. We appreciate that. I have some folks who want to testify. However, we do not have a bill. If you want to make some general comments for this informational period, you are welcome to come up now. We cannot register one way or another because we do not have a bill to work off. Good morning.

**Jennifer DiMarzio, representing World Market Center, Las Vegas, Nevada; and  
representing The Molasky Companies, Las Vegas, Nevada:**

Good morning. With me is John Leleu.

**John Leleu,**

Good morning, Madam Chair.

**Jennifer DiMarzio:**

We just want to get on the record and note for the Committee our concerns with section 9, subsection 1, paragraph (e), which would levy a special assessment on all the parking spaces within 3,000 feet of the arena, with a cap of \$1,000 per space. One of the key notes we would like to make is that special assessments are allowed for local municipalities in NRS Chapter 371. We are not sure why this needs to be in legislation. This is something they can already do. Unlike street widening or adding sewer lines or sidewalks, it is not

clear that there is a special benefit, as is required to charge a special assessment for all building with parking facilities within a certain distance.

We propose that it should not automatically be assessed on all parking spaces, but only on those that are being used for event parking. We would therefore like to propose an amendment for the Senate Committee on Revenue, and we will be doing so.

**Chair Kirkpatrick:**

Are there any other comments? The City of Las Vegas is here, so I am sure you can get with Bill [Arent] and address that.

**John Leleu, representing World Market Center, Las Vegas, Nevada:**

We have attempted to reach out to the City of Las Vegas as well as the Milam group. I see Mr. Fiorentino, and I recognize that he represents UNLV. I did not know that until this morning. We would like to work with the developers in coming up with a good amendment. With the way the bill is currently constructed, it is vague with respect to how the special assessment works, whether it is a one-time assessment or an annual assessment. Whether or not it is one-time or annual, we can talk about numbers really quick.

For World Market Center, this bill represents a \$5 million price tag. We have approximately 5,000 spaces. If you put a \$1,000 assessment on each space, that is a \$5 million price tag. When you look at the rest of our block, including Chelsea Company, The Molasky Companies, and the Lou Ruvo Brain Institute, now you are looking at about \$10 million. That could be \$10 million annually, depending on how this bill is to be interpreted. Again, it is vague as to that point. If we had that money to give—\$10 million a year—we would be developing the stadium ourselves, as opposed to being here today.

We are anxious to work with the developers in coming to a realistic amendment, but we wanted to go on the record this morning and make it very clear that if an amendment is not reached, we will be digging in and opposing this bill. Thank you.

**Chair Kirkpatrick:**

Thank you. I appreciate that. Mr. Griffin.

**Josh Griffin, representing MGM Resorts, Las Vegas, Nevada:**

We are here to oppose the amendment that was proposed by Caesars and that was discussed a few minutes ago that would lower the seating capacity to 20,000. I think this is a continuation of a discussion that began last year over public financing for an arena on the [Las Vegas] Strip and has continued in

many iterations during this legislative session in front of this Committee several times. We think that there are several privately financed arenas in Las Vegas. MGM Resorts has a couple of those.

When businesses make decision to invest in products and services that they want to provide their customers, they take on the risk. Whatever tax policy you as a Legislature establish, and as in this Committee that that economic activity should go to cover General Fund obligations and other . . . . Those are the policies that affect everybody. After those customers come in, buy tickets, participate, and buy the merchandise at those events, after the taxes get paid on those activities, we still service our own debt. Shareholders make those decisions, and it is just not fair, in our opinion, that a competing arena or facility is allowed to take advantage of some sort of public financing. However, it is done when other who have already built with private money have not.

**Chair Kirkpatrick:**

Mr. Griffin, can you go back and ask if they would allow us to take back the abatement on all the LEED projects?

**Josh Griffin:**

Madam Chair, . . .

**Chair Kirkpatrick:**

I am just asking because, let us be honest about it, that is the point why we are going through this bill. Specifically, we were in the same situation that was going to cost us \$250,000. Whether or not this goes through, I think that is a pretty lame argument on their [MGM Resorts] part.

**Josh Griffin:**

When this legislative body made the policy decision regarding that type of environmental construction and LEED designs, it made that available in a window of time for any new construction, and it was not specifically taking one side over another. Clearly, Madam Chair, you know better than anyone that two years later, and as that [the LEED project] grew beyond the window that was opened to anyone . . . I think there are people who are proposing arenas who were also hoping to take advantage of that policy that you set to make abatements, but it was not done with the intention of helping create a facility that was designed to compete with a facility that already existed on the [Las Vegas] Strip.

For instance, MGM Resorts, which used and applied for those abatements for that environmentally friendly design, had already made the decision to build City Center, and others took advantage of it [the abatement] and started



building and investing in projects. This [Caesars amendment] is being presented to you to build a competing facility.

**Chair Kirkpatrick:**

We can agree to disagree. I do not write special legislation for anybody. That is very clear. I think that if this bill is going to go any farther you have to have a level playing field. I think the argument is interesting, because the same thing was said back in 2007 about the green buildings. Most of this Committee was not part of that, but you and I know that everybody jumped on the bandwagon. The MGM was the first one who would not be at the table to work with us because they counted on those dollars. I am just saying that I can rehash history, too. You can tell them whatever. I just think that is unfair because if they did not need it, and they were already moving forward, then they should have been the first one at the table, not the last one to say we do not need this abatement. There were 28 entities involved in that situation. All but a few were at the table.

I hear what you are saying, that if we are going to do it, make it fair across the board. I get that. Otherwise, I think we are done.

**Josh Griffin:**

When the Chair says we are done, we are done, Madam Chair.

**Chair Kirkpatrick:**

Is there anybody else who wants to say anything on this bill?

**Cadence Matijevich, representing the City of Reno:**

I do not know if you have yet had the opportunity to see we were requested to submit a fiscal note on this bill, and we have done so. We did not specify a dollar amount because, as of this time, we do not have a project before us like those that you have been entertaining. I wanted to get on the record to note that I would be in support of lowering the threshold. I think a 35,000 seat arena in Washoe County, which this bill contemplates, may be a bit high for our community.

**Chair Kirkpatrick:**

Thank you. I am sure the fiscal note is in the Senate with the bill. We will look at it if it makes it this way. Are there any other questions? [There were none.]

Committee members, I want to thank you all for taking the time to hear the information. I do not know the status of the bill in the Senate. However, there are 48 hours left in the Session. I want to ensure, at least from my perspective and for the Committee, to really know what the bill entails, depending on what

happens. What you do with your information is one thing, but at this point I do not believe that the Senate has it scheduled. Ms. Vilardo.

**Carole Vilardo, President, Nevada Taxpayers Association:**

I was asked a question yesterday about the bonds and the impact from the tax shift. Do you want that addressed?

**Chair Kirkpatrick:**

Ms. Vilardo, not really at this point, but if this bill is going to be heard in this Committee, and if there is not a bond counsel person in here I will not hear the bill. For all of you out there, I will not hear a bill without a bond counsel that can go on record.

With that, we are going to adjourn [at 11:09 a.m.]

RESPECTFULLY SUBMITTED:

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Mary Garcia  
Recording Secretary

RESPECTFULLY SUBMITTED:

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Jeffrey Eck  
Transcribing Secretary

APPROVED BY:

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Assemblywoman Marilyn K. Kirkpatrick, Chair

DATE: \_\_\_\_\_

**EXHIBITS**

**Committee Name: Committee on Taxation**

**Date: June 4, 2011**

**Time of Meeting: 9:08 a.m.**

<b>Bill</b>	<b>Exhibit</b>	<b>Witness / Agency</b>	<b>Description</b>
	A		Agenda
	B		Attendance Roster
S.B. 501	C	Michael Nakamoto	Mock-up
S.B. 501	D	Michael Alonso	Proposed Amendment
S.B. 501	E	Constance Brooks	Proposed Amendment
S.B. 501	F	Terry Care	Proposed Amendment
S.B. 501	G	Terry Care	Responses to Questions Asked of the LVNSC Team on Friday, June 3, 2011
S.B. 501	H	Port Telles	Response to Questions from June 6, 2011 Hearing in Assembly Taxation