

**MINUTES OF THE
SENATE SELECT COMMITTEE ON ECONOMIC GROWTH AND EMPLOYMENT**

**Seventy-sixth Session
May 27, 2011**

The Senate Select Committee on Economic Growth and Employment was called to order by Chair Ruben J. Kihuen at 2:55 p.m. on Friday, May 27, 2011, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4412E, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Ruben J. Kihuen, Chair
Senator John J. Lee, Vice Chair
Senator Valerie Wiener
Senator Mark A. Manendo
Senator Don Gustavson
Senator Ben Kieckhefer
Senator Greg Brower

GUEST LEGISLATORS PRESENT:

Assemblywoman Marilyn Kirkpatrick, Assembly District No. 1
Assemblyman Randy Kirner, Assembly District No. 26

STAFF MEMBERS PRESENT:

Kelly Gregory, Policy Analyst
Bryan Fernley-Gonzalez, Counsel
Debra Carmichael, Committee Secretary

OTHERS PRESENT:

Stacey Crowley, Director, Office of Energy, Office of the Governor
Matthew L. Weinman, Director of Sustainable Construction, Signature
Commercial Construction; U.S. Green Building Council Nevada Chapter

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CHAIR KIHUEN:

I open the hearing with Assembly Bill (A.B.) 202.

[ASSEMBLY BILL 202 \(1st Reprint\)](#): Provides for the partial abatement of certain property taxes for certain new manufacturing businesses in this State. (BDR 58-652)

ASSEMBLYMAN RANDY KIRNER (Assembly District No. 26):

Assembly Bill 202 is designed to be an extra tool in the economic development toolbox. The bill encourages manufacturing businesses interested in moving to Nevada to locate their businesses in existing buildings. The business must hire 25 full-time employees and must pay the going rate for wages in their county. If the building is retrofitted pursuant to the Leadership in Energy and Environmental Design (LEED) Green Building Rating System, the business would be entitled to a partial abatement of their property tax for the first year. The value of this proposition is that the business occupies an existing building that is likely to stand vacant and not generate any tax value for the respective county, thereby, creating a tax base. Construction jobs will be created with the retrofitting of the building. The business will provide long-lasting jobs and what the economic people would label as fundamental businesses for Nevadans. Property tax will be paid after the first year based on the enhanced value of property. The facility is economically beneficial to the community as well as to the new business. The facility will be added to a growing number of buildings that are environmentally friendly in our State.

ASSEMBLYWOMAN MARILYN KIRKPATRICK (Assembly District No. 1):

Assemblyman Randy Kirner and I worked together on this bill. One issue Assemblyman Kirner tried to address was the high cost of energy in the industrial parks. Many businesses complained that Nevada's energy costs are expensive.

In 2007, I did a study on all public buildings at the College of Southern Nevada (CSN) which encompassed changing to energy-efficient lightbulbs. The CSN saved \$24,000. It was clear by making basic changes businesses could save on long-term energy costs. In prior years, Nevada extended the abatement over many years for simple energy renovations to a tune of \$944 million.

This bill amends and adds new language to chapter 701A of the *Nevada Revised Statutes* (NRS). The abatement program in this bill is patterned after existing provisions which provide for a similar partial abatement of certain taxes for buildings that meet certain standards under LEED. The business must provide proof the building meets the equivalent of the silver level or higher within 48 months after applying for the abatement. The partial abatement will not exceed one year in duration.

This bill is for new manufacturing companies because the complaint is new businesses coming to Nevada have high energy costs.

SENATOR LEE:

Why is this bill limited to manufacturing businesses?

ASSEMBLYMAN KIRNER:

We want to diversify our economy and bring fundamental businesses to Nevada. Restaurants and retail businesses do not have the lasting commitment and lifetime that we want to see. It is an effort to diversify our economy.

ASSEMBLYWOMAN KIRKPATRICK:

Manufacturing businesses have a lot of equipment, and that equipment in any high industrial M-3 zone uses more energy. Therefore, energy costs are much higher. When manufacturers weigh the cost of moving to different states, energy is one of the top three items they consider. This bill is helping those types of business that operate 24 hours a day stay in business.

SENATOR MANENDO:

How does this bill ensure Nevadans will be hired by these manufacturing businesses?

ASSEMBLYMAN KIRNER:

My hope is that Nevadans will be employed as a result of this bill. It is not easy for a manufacturing business to pick up and move. I do not have the provisions in the bill stating so many Nevadans have to be hired. But the businesses do have to employ a minimum of 25 employees. Our desire, hope and confidence

are that more Nevadans will have jobs, pay their mortgages and buy goods and services.

ASSEMBLYWOMAN KIRKPATRICK:

Several things need to be considered. First, we need to determine how many businesses will be attracted to Nevada by this legislation. Second, manufacturing companies have consistently told us that Nevada does not have people in the State who are qualified to run the machinery.

The State, as well as economic development, has a policy decision that Nevadans must come first. Overall as a state we have taken the policy direction. Either one of us would come back next Session and address it if Nevadans were not being hired. We need something on the table now to determine what is missing.

SENATOR KIECKHEFER:

Is the program housed in the Office of Energy (OE), Office of the Governor, because the LEED certification is needed?

ASSEMBLYWOMAN KIRKPATRICK:

The program has always been in the OE. They know what documents are necessary to meet the LEED criteria. They have a good system in place. Originally, this bill was different than it is today. Both fiscal notes have been completely dropped.

SENATOR KIECKHEFER:

What percent of manufacturing buildings are LEED certified?

ASSEMBLYWOMAN KIRKPATRICK:

Right now, there are not many. In 2009, building codes were adopted that will result in more LEED certified buildings. There is an abundance of empty buildings in the State that are not energy efficient. There is over a million square feet of buildings that are empty and do not qualify under the LEED certification.

SENATOR KIECKHEFER:

How much does it cost to bring a large manufacturing facility up to LEED certification? Does it make it cost-prohibitive to do so?

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ASSEMBLYWOMAN KIRKPATRICK:

I will get you follow-up documentation on the cost. In my example with CSN, changing the lightbulbs to energy-efficient lightbulbs saved them \$24,000. That is one of the key components of existing building LEED criteria. Ventilation and air-conditioning systems are also key components to LEED. There is a wont to retrofit existing buildings, and for a small cost they can get a return.

SENATOR KIECKHEFER:

Why would we prohibit companies from utilizing multiple incentives to finance a project?

ASSEMBLYWOMAN KIRKPATRICK:

We have seen businesses double- and triple-dip. They were paying nothing to be part of our State. It was costing the State sales tax money and the revenue derived from the 2 percent school district rate. They were literally getting \$3 for every \$1 spent, and that is why there was a huge fiscal note. There comes a point when businesses have to invest in our State instead of looking for every possible incentive to locate here. In 1997, a study was done which showed people were staying as long as they could for the incentive, and the day the incentive ran out is the day they left town. To be a good Nevada business and to invest in our state, they must have some skin in the game.

CHAIR KIHUEN:

Does the bill apply to the logistics industry?

ASSEMBLYWOMAN KIRKPATRICK:

Yes.

CHAIR KIHUEN:

Could you briefly explain what was amended on this bill?

ASSEMBLYMAN KIRNER:

When this bill was conceived, the issue was how to pay for the incentive. The LEED Green Building Rating System was added to this bill.

SENATOR BROWER:

In section 18 of A.B. 202, it does not appear the definition of manufacturer would encompass a logistics company. Could you clarify that?

ASSEMBLYWOMAN KIRKPATRICK:

Logistics is more than transportation. Manufacturing within the NRS is broad, so it does not limit. The transportation part of logistics would not count, but each logistics business has a manufacturing component of moving goods from one service to another. I would be happy to get the manufacturing definition from economic development.

SENATOR BROWER:

If it is the intent to encompass logistics, the definition should be considered. The definition of manufacturer in section 18 of A.B. 202 is a person engaged in primarily manufacturing or processing which changes raw or unfinished materials into another form or creates another product. That seems to be a classic manufacturing definition but would not encompass traditional logistic companies.

ASSEMBLYMAN KIRNER:

Manufacturers make a product, warehouse the product, and then move the product in and out of the warehouse. Yes, logistics is connected to a manufacturer. My vision on this bill did not include a stand-alone logistics center.

SENATOR BROWER:

A logistics company moving into Nevada would not benefit from this.

ASSEMBLYMAN KIRNER:

A company like Amazon.com would not meet the criteria of this bill.

STACEY CROWLEY (Director, Office of Energy):

I stated in the Assembly Committee on Ways and Means meeting that we would have some fiscal impact. I have discussed this with staff, and it can be taken care of with existing resources. I have given Assemblywoman Debbie Smith the same information.

MATTHEW L. WEINMAN (Director of Sustainable Construction, Signature Commercial Construction; U.S. Green Building Council Nevada Chapter):
The U.S. Green Building Council Nevada Chapter is not in opposition as much as seeking clarification on exactly what is proposed. There was confusion about the notification process on the last hearing of A.B. 202 in the Assembly Ways and Means Committee. The personal bill tracking system announced on Wednesday morning at 7:24 a.m. that there was a meeting on Tuesday at 4: p.m. at which we intended to speak. We missed out on that opportunity. Because of the short notice for today's meeting, the people who needed to speak on this could not attend.

On the first page of A.B. 202, the Legislative Counsel's Digest states Section 18 of this bill requires the director of the OE to establish regulations for granting a partial abatement of certain property taxes for new manufacturing businesses in this State which renovate an existing building or other structure which meets certain energy standards. Lines 32 and 33 of page 8 of the bill state the partial abatement must not be for an existing building or other structure that is renovated. We would like clarification on the intent, as the language is confusing.

The NRS 701A, a green building program that provides partial property tax abatements for projects that achieve LEED certification, is already law. It seems NRS 701A is doing everything and more for incentivizing manufacturers to come to Nevada.

The U.S. Green Building Council Nevada Chapter believes there already is an excellent program that is being used by many people for new construction buildings as well as for renovations in existing buildings.

We are requesting clarification on the intent of the bill as it pertains to the existing law.

CHAIR KIHUEN:

Assemblywoman Kirkpatrick alluded to this earlier, but section 20 has to do with double-dipping.

BRYAN FERNLEY-GONZALEZ (Counsel):

Section 20 of the bill is an amendment to the existing LEED abatement program. The partial abatement under the existing program is not for existing buildings or

structures that are renovated. Section 18 is a specific abatement for manufacturing businesses that renovate existing structures.

MS. CROWLEY:

I am in agreement with Bryan Fernley-Gonzalez's statement.

CHAIR KIHUEN:

Mr. Weinman, are you okay with this?

MR. WEINMAN:

If that is the case, we have more strenuous opposition to the bill. In one of the first meetings of the Senate Select Committee on Economic Growth and Employment, Jeremy Aguero gave a fantastic presentation on the depressing scene for new construction opportunities. He presented a compelling presentation on how the future for construction opportunities is going to be in the renovation of existing buildings. If the bill is going to be limited strictly to manufacturing businesses, it will be a tremendous disservice to people in the construction industry. I work with several different people who own existing buildings and would consider doing significant energy-efficiency retrofits if properly incentivized. I am not talking about double-dipping or triple-dipping, but I am talking about ways to improve upon existing rebates and incentives by utilizing programs such as the partial property-tax abatement. But if it is going to be strictly manufacturing, that will include a number of people who are looking to do improvements on existing buildings.

SENATOR LEE:

I recognize Mr. Weinman's concerns with this bill. I am also in the construction business in southern Nevada. This bill is not to keep Nevadans working but to bring new manufacturers into the State. This bill is not the place to do what you want to do. Assembly Bill 202 is a diversification bill. I would be happy to work with you later on what you want.

MR. WEINMAN:

I understand Senator Lee's points exactly and would like to have the opportunity to speak about this further.

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CHAIR KIHUEN:

I close the hearing and adjourn the meeting at 3:31 p.m.

RESPECTFULLY SUBMITTED:

Debra Carmichael,
Committee Secretary

APPROVED BY:

Senator Ruben J. Kihuen, Chair

DATE: _____

<u>EXHIBITS</u>			
Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster