

**MINUTES OF THE
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT**

**Seventy-Eighth Session
March 27, 2015**

The Senate Committee on Revenue and Economic Development was called to order by Chair Michael Roberson at 4:16 p.m. on Friday, March 27, 2015, in Room 1214 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412E of the Grant Sawyer State Office Building, 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 Michael Roberson, Chair
Senator Greg Brower, Vice Chair
Senator Joe P. Hardy
Senator Ben Kieckhefer
Senator Ruben J. Kihuen
Senator Pat Spearman

COMMITTEE MEMBERS ABSENT:

Senator Aaron D. Ford (Excused)

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Bryan Fernley, Counsel
Julia Barker, Committee Secretary

OTHERS PRESENT:

Brian McAnallen, City of Las Vegas
Don Ahern, Ahern Rentals, Inc.
William Arent, Director, Economic and Urban Development Department, City of Las Vegas
Jonathan Jenkins, CEO, OrderWithMe Nevada Inc.

Chair Roberson:

I will move the work session on Senate Bill (S.B.) 103, S.B. 155 and S.B. 252 to Tuesday, March 31.

SENATE BILL 103: Exempts certain persons from the modified business tax on financial institutions. (BDR 32-42)

SENATE BILL 155: Revises provisions relating to farm vehicles and implements of husbandry. (BDR 32-707)

SENATE BILL 252: Revises provisions governing the state business license fee. (BDR 32-1185)

Senator Brower:

I will open the hearing on S.B. 317.

SENATE BILL 317: Makes certain changes relating to economic development. (BDR 18-91)

Senator Michael Roberson (Senatorial District No. 20):

I sponsored S.B. No. 357 of the 77th Session which was passed by the Nevada Legislature and signed by Governor Brian Sandoval. This bill was known as the Nevada New Markets Jobs Act. The goal was to spur revitalization efforts to help small business owners in distressed areas of Nevada create private sector jobs while expanding businesses by offering growth capital in the form of low-interest loans or equity. The Act allows certain business entities to receive a credit against the premium tax imposed on insurance companies in exchange for investing in a qualified Community Development Entity. The City of Las Vegas has requested S.B. 317, which makes changes to the Nevada New Markets Jobs Act.

Brian McAnallen (City of Las Vegas):

The most important thing we can do in our community is create jobs and investments. Las Vegas's purpose is to build community to make life better, which this bill does. The language in the bill is not exactly what we have settled on. Concerns surfaced about the draft provided by the Legislative Counsel Bureau because section 5 takes out the Small Business Administration language. The language is complex, challenging and confusing. It is not our intent to preclude small businesses from this opportunity but to expand those

opportunities. The new conceptual language of the proposed amendment ([Exhibit C](#)) restores that section. Our purpose is to try to bring as many investment opportunities to our community as possible.

Don Ahern (Ahern Rentals, Inc.):

As Ahern Rentals has expanded out of Las Vegas with 85 locations in 26 states, we have remained a homegrown organization. My father started the company 62 years ago on the property where the Stratosphere Tower now stands. As we developed this rental business, we acquired several manufacturing companies that have provided the equipment we distribute across the U.S. I am asking that you consider expanding the Nevada New Markets Jobs Act, putting aside some of the restrictions to allow larger organizations to have access to its benefits.

We manage manufacturing companies around the world in places such as New Zealand, England, Japan and Australia. These companies manufacture and assemble construction equipment. We intend to build a 1-million-square-foot building in southern Nevada, creating over 2,000 jobs. Employees would assemble and manufacture the construction equipment exported to organizations throughout the world. We have about 600 jobs on the manufacturing side of the business and 1,900 jobs on the rental side. Most of those jobs could be brought to the Las Vegas market, creating over 2,000 jobs within the building. There is an opportunity for Nevada to be in the manufacturing-assembling business because not everybody is fit to work in a casino or mine.

William Arent (Director, Economic and Urban Development Department, City of Las Vegas):

I have a slide show presentation ([Exhibit D](#)) covering why the City of Las Vegas has asked for this bill. The federal New Markets Tax Credit (NMTC) Program has been around for 12 years. Capital has been deployed around the Country, but Nevada has received a disproportionately low share of these credits. One of the policy goals is to bring more credits into Nevada which means private equity buys these credits. This also means bringing private equity and capital from outside the State into the State. There is a net win if we can successfully bring in capital.

Slide 3 of [Exhibit D](#) illustrates the fair share problem Nevada has with the federal NMTC. Nevada has been historically underserved. Of the allocations

available between 2003 and 2011, Nevada received \$1.9 million in credits while neighboring states received more. A policy goal of the Nevada NMTC is to fix this problem while getting more outside dollars coming into the State which would not recirculate existing dollars and credits. When that happens, less revenue comes into the State because of credits given against the State. The Nevada NMTC was approved last Session to attract new private investments in low-income communities to help small businesses.

Slide 4 of [Exhibit D](#) shows \$200 million of allocation authority awarded to seven groups. The difference in State and federal guidelines have a chilling effect on getting those federal NMTC dollars into the State. Realizing that much of the federal NMTC was not being deployed into the State, the City of Las Vegas formed a Community Development Entity. The U.S. Department of the Treasury defines an eligible community as a bank that can receive federal NMTC. This entity is the Las Vegas Community Investment Corporation. Through that, the City successfully received a \$28 million allocation and deployed some of those credits. This is only the beginning of our involvement with new markets. We want other banks with larger allocations to get credits into the State.

Of the allocations approved, less than 20 percent of that \$200 million allocation has been successfully placed in Nevada, making a loan to a small business that benefits from the credits. The proposed amendment, [Exhibit C](#), overcomes this barrier. The proposed amendment recognizes that Nevada has been slow out of the gate because this complex, new program takes time to ramp up. We are asking that the original credit authorization, which had a window of 12 months, be extended to 30 months. This does not change the dollar amount of the credit authority but gives participating banks, shown on Slide 4 of [Exhibit D](#), more time to place the credits. This meets the bigger policy goal of getting private dollars from the federal NMTC into the community.

We want to preserve policy targets for small businesses, which we have not gotten exactly right. We want to have a work session to address expressed concerns about the current draft. While we are close to a better draft with the proposed amendment, we are not quite there yet and want to get the language right to make sure the credits continue to support small businesses.

To meet a dual policy goal of helping small businesses while also getting private capital into the community and creating new jobs in distressed parts of the

community, we are changing section 3 and section 5. This restores the definition of small business to the original definition under the Small Business Administration, thereby broadening the businesses that can participate in the program. The language in our new section looks peculiar because the definition of “severely distressed census tract” was defined by the U.S. Department of the Treasury for the federal program. We want to mirror the State program to the federal program while preserving that incentive for participating Community Development Entities (CDEs) to invest in small businesses.

Section 6 is a technical requirement because a reinvestment requirement of the initial investment is made with these credits. A modification of this section will make it easier for participating banks to provide loans that look more like federal NMTC loans and to benefit the borrower while deploying capital in Nevada. That change will encourage banks to give loans with a longer term of around 7 years instead of short-term loans, which may have a term of less than 5 years. All the low-interest loans structured in the federal program are 7-year loans. The more Nevada looks like the federal program, the easier it will be for banks with federal tax credits and private equities buying those credits to come into Nevada.

The changes will keep State credits and generated investments in Nevada. The additional time will send a signal to the federal NMTC investor industry, an industry of over \$3 billion. A lot of money sits outside of Nevada, and we intend to get this money into Nevada. The small business policy goal stays intact and cleans up the definition in section 6 of “qualified equity investments” to make sure banks and CDEs with State credits have an incentive to offer 7-year loans. Keeping the credit program healthy benefits the whole State. Unlike many structured finance programs or economic development programs which disproportionately benefit urban areas, the Nevada NMTC program benefits the entire State. Slide 8 of [Exhibit D](#) shows this. Recently, a loan made was in a rural area through the State credits program. The City of Las Vegas is speaking on behalf of this bill as to what will be good policy for the whole State.

Jonathan Jenkins (CEO, OrderWithMe Nevada Inc.):

OrderWithMe has received some of the New Market Tax Credits through a low-interest loan. Our technology company was founded in China to help U.S. small businesses. As the business began to grow, we decided to relocate the company to the U.S. We settled in Las Vegas because of our focus on helping small businesses through technology. Las Vegas is a big place for conferences and trade shows, where a lot of our customers come from. It was good to

locate in a state that was friendly to them. It was also beneficial to locate our company in a state that is friendly to business. The City and its Economic and Urban Development program was helpful in getting the company settled. Initially, we brought 5 employees from China; in the past year and a half, we have grown to employ over 40 people.

Six months ago we were approached by Advantage Capital, managing one of the funds in Nevada NMTC. At first it was confusing and it took time to understand what the company was getting into, but last October, we received a \$7.5 million loan to allow us to grow in the downtown Las Vegas area and participate in the community. It has been a good program. We have structured the loan in a way that helps the business grow and allows us to satisfy our financial obligations.

The opportunity to expand this program and allow businesses, such as Ahern Rentals, to participate is a great way to grow jobs. The success of the program cannot be measured only in job growth, but also in community involvement and development. Being located in downtown Las Vegas, our company has the ability to serve those less fortunate and bring economic and social development to the community. On the first Sunday of every month, our company hosts a community lunch. Last July, we served over 600 needy people hot dogs, nachos and snow cones. This New Market Tax Credit Program is a good program that allows companies to grow.

Senator Brower:

I will close the hearing on S.B. 317.

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Chair Roberson:

Seeing no public comment, I adjourn the Senate Committee on Revenue and Economic Development at 4:40 p.m.

RESPECTFULLY SUBMITTED:

Julia Barker,
Committee Secretary

APPROVED BY:

Senator Michael Roberson, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit		Witness or Agency	Description
	A	1		Agenda
	B	2		Attendance Roster
S.B. 317	C	3	City of Las Vegas	Proposed Amendment
S.B. 317	D	9	City of Las Vegas	Presentation