MINUTES OF THE JOINT MEETING
OF THE
ASSEMBLY COMMITTEE ON TAXATION
AND THE
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT

Eightieth Session
February 12, 2019

The joint meeting of the Assembly Committee on Taxation and the Senate Committee on Revenue and Economic Development was called to order by Vice Chair Julia Ratti at 4:10 p.m. on Tuesday, February 12, 2019, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 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/App/NELIS/REL/80th2019.

SENATE COMMITTEE MEMBERS PRESENT:

Senator Marilyn Dondero Loop, Chair
Senator Julia Ratti, Vice Chair
Senator David R. Parks
Senator Ben Kieckhefer
Senator Heidi Seevers Gansert

SENATE COMMITTEE MEMBERS ABSENT:

None

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Assemblywoman Dina Neal, Chair
Assemblywoman Lesley E. Cohen, Vice Chair
Assemblywoman Shea Backus
Assemblywoman Teresa Benitez-Thompson
Assemblyman Chris Edwards
Assemblyman Edgar Flores
Assemblyman Gregory T. Hafen II
Assemblyman Al Kramer
Assemblywoman Susie Martinez
Assemblywoman Ellen B. Spiegel
Assemblywoman Heidi Swank

ASSEMBLY COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

None

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Michael Nakamoto, Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Barbara Williams, Committee Secretary
Lex Thompson, Committee Secretary
Gina Hall, Committee Secretary

OTHERS PRESENT:

Paul Anderson, Executive Director, Office of Economic Development, Office of the Governor
Derek Armstrong, Deputy Director, Southern Nevada, Office of Economic Development, Office of the Governor
Matthew P. Moore, Deputy Director, Office of Economic Development, Office of the Governor
Jonas R. Peterson, President and Chief Executive Officer, Las Vegas Global Economic Alliance
Mike Kazmierski, President and Chief Executive Officer, Economic Development Authority of Western Nevada
Robert C. Hooper, President and Chief Executive Officer, Northern Nevada Development Authority
Steve Hill, Chief Executive Officer and President, Las Vegas Convention and Visitors Authority
J. Kyle Dalpe, Interim Executive Director of Legislative Affairs, Nevada System of Higher Education
Glenn C. Christenson, Member, Board of Directors, Las Vegas Global Economic Alliance

Vice Chair Ratti:
[Roll was taken and Committee rules and protocol were reviewed.] Senator Dondero Loop will be here to chair as soon as she can. We have educational presentations to hear today with the focus primarily on economic development. We will begin with the overview and discussion of economic development programs in Nevada, starting with the Office of Economic Development, Office of the Governor (GOED).

Paul Anderson, Executive Director, Office of Economic Development, Office of the Governor:
We are grateful to go through what the Governor's Office of Economic Development does today and how we work to help Nevadans get better and higher-paying jobs, bring in new business, and help existing businesses expand. I will make my introductory remarks and then turn it over to our southern Deputy, Derek Armstrong, former Assemblyman and Chair of Assembly Taxation. He has some great insight and can answer all the really hard questions. Our northern Deputy, Matt Moore, is here with us today, and he will cover some of the other programs we work on.

It is important to put into context how and when GOED was created. In the 2011 Session, Assembly Bill 449 of the 76th Session created GOED. Previously it sat under the Office of the Lieutenant Governor. It was, for the most part, an advertising arm of Nevada. It certainly worked to do its best to make sure that businesses and companies that were thinking of moving out of other states, or setting up shop in other states, understood the benefits of being in Nevada. It was a fairly passive organization, often advertising and waiting for the phone to ring. They did the best they could, but there was a recognition that maybe there were some other things we could do that would further solidify Nevada's prominence in being a great place to do business, live, work, and play.

When we look at when GOED was created, Nevada was in the depths of the Great Recession. We had nearly 14 percent unemployment, almost 185,000 Nevadans had lost their jobs, we topped the list nationally for homes that were worth less than was owed on them, the most bankruptcies, the most foreclosures, and the highest unemployment in the nation. We were at the top of all the wrong lists when it came to economics.

As we see recessions come and go, and seeing the need to diversify our economy so the next recession could be weathered better, Governor Sandoval and the Legislature saw fit to create GOED and move it into the Governor's Office. Currently it is a cabinet-level position. We are a fairly small office, and we will go through some of those pieces of the puzzle. It is important to understand the genesis of GOED, and not necessarily just where we came from but where we are today. We will go over a few of those items as we go through the presentation (Exhibit C).

Nearly 300,000 new jobs have been created in the last eight years since the recession. It is significant. We lead the nation in growth on many different levels, and it has been done with good policy and action. Certainly this legislative body deserves credit for building the policy around economic development, helping execute that policy, and refining each legislative session, including many special sessions, as we have continued to refine and have been nimble and moved when the opportunities were there.

The previous organization was fairly passive and the new organization that was created in 2011 was meant to be very proactive—not only in recruiting companies but in ensuring we had the tools to attract businesses here and compete with other states. Make no mistake about it: If we are not competing, we are losing. Every state in the Union has some level of abatement or incentive package, or some way to attract businesses beyond just the natural order of things. If we are not competing and we choose not to play, then we will lose every one that we do not participate in.

Of the businesses we work with—assisted, meaning they received abatements, incentives, or some level of support; maybe we were a matchmaker service or removed some other obstacle for the company to come here—92 percent meet the classification of small business. That means they have under 150 employees versus some of the brand-name companies we hear about in the news all the time, and 0.3 percent of our time is spent on the abatements and incentives for those. I think the story is often skewed by what makes a headline and what does not, but every single board meeting we go through, we see a lot of companies from every sector that are bringing great business, great jobs, and making Nevada a better place to live and work. This is an example of good policy in action, and I think we cannot highlight that enough.

You can see here what the objectives are in economic development [page 2, (Exhibit C)]. The responsibility of GOED is to remove obstacles so companies can create primary jobs. Those obstacles can be cost, workforce, housing, transportation, or infrastructure. Much of our time is spent on those particular items, not always just the incentive and abatement packages. Almost half of what we do is assisted, but not incentivized to move to Nevada [page 3]. Not everyone who comes to our office is there for abatements or incentive packages. I will turn it over to Deputy Director Armstrong to continue from here.

Derek Armstrong, Deputy Director, Southern Nevada, Office of Economic Development, Office of the Governor:
The way this presentation reads is more of a report format. I will briefly discuss some of our economic tools. We will go over business development and numbers after that, then talk about our programs, and will turn it over to Mr. Moore.

Page 4 shows some of our economic development tools. You can see a number of the different programs. The first three: sales and use tax abatement; modified business tax (MBT) abatement; and personal property tax abatement are our standard abatement packages. When companies come to us and they meet our criteria, it is usually those first three that they apply for. The fourth program, the real property tax abatement, is specifically for recycling projects. The others are pretty specific—aviation parts tax abatement and data center tax abatement. Additionally we have the Catalyst Fund, which is really just our closing fund to help incentivize those high-paying jobs to ensure they end up in Nevada.

The other two tool sets we have were created through special sessions [page 5]. The first one was created related to the 29th Special Session [Faraday session] in 2015. That program is used to incentivize companies that have at least $1 billion in capital investment. You can see in each of the tool sets we have added the expiration date as directed by the Chair, and you can see when those expire.

The difference between this program and our standard is if you have a capital investment of at least $1 billion, then we can include property tax abatements—75 percent for 10 years—and we have the ability to do some transferable tax credits for up to $9,500 per qualified employee. For this we had one project, the Faraday project. In 2017 they relinquished, or became an unqualified project, and they withdrew their status. There was a trust fund that was set aside for them and those funds have been distributed to local jurisdictions. In addition, that also helps for some of the infrastructure out at the Apex Industrial Park. The Interstate 15 and U.S. 93 interchange [Garnet Interchange] has recently been completed. North Las Vegas has invested $4 million for an elevated water tank. Additionally, they are starting the first phase of their southern pipeline to get some more water infrastructure out there. All of these are performance-based. Faraday was not able to perform. They relinquished their dollars but it also helped us establish some of the infrastructure out there. It ended up not being a complete success, but not a failure, either. We were able to regroup and get some good things out of that project.

The next tool we have came from the 28th Special Session [Tesla special session], which created legislation for a capital investment of at least $3.5 billion [page 6]. The differences between this and the $1 billion are these are higher level incentives for property taxes and the MBT. Initially there was some transferable tax credits authority established for this also. All of that authority is gone at this point and was used in that Tesla deal.

We have provided the Committee with the latest Tesla Gigafactory Economic Impact Summary 2015-2018 (Exhibit D). Last November we wanted to relook—to ensure the projections from 2014 when the Tesla deal was announced were actually occurring. The summary is that good things are happening out there. They have hired over 7,000 people, which is past their projections. Their capital investment—projected to be $3.5 billion—is over $6 billion right now. They have recently announced it is more than likely they will start producing the Model Y at Gigafactory 1, so a lot of great things are happening out there. They were able to do a lot more than what they even expected.

As we go into some of our business development numbers [pages 7 and 8, (Exhibit C)], we see that we have helped 591 companies both new and expanded. We will show some pages later that really stress that expanded part, because every expansion that we have is a Nevada business that is growing. Not only are we helping companies come here but we are helping them expand. Another important piece is that incentivized wage. We have a breakdown of companies we incentivized and the companies we assist. We see that for incentivized companies, since 2012 the average wage is $22.77 per hour, and the nonincentivized wage is $18.75 per hour. We are helping create a standard where a lot of those high-paying jobs are coming here, and if they are incentivized, that percentage changes—oftentimes direct dollars going into Nevada families' pockets and making their lives better.

Senator Seevers Gansert:
It is my understanding that for a lot of the incentive plans you look at capital, you look at the number of jobs, and you look at the average wage. Since we do have rising wages right now because we have somewhat full employment, have you considered raising the wage that is needed to qualify for an abatement?

Derek Armstrong:
That is a great point for how our incentives actually work. Companies that would have qualified previously no longer qualify. As our state wage increases, the thresholds for them to receive those incentives are becoming higher and more difficult to achieve. Whether we want to do that as a multiplier effect on top of that—as a 1.25 or 1.5—I think it is probably something we could look into.

Senator Seevers Gansert:
In northern Nevada it seems like the market is pretty tight and we want to focus on maybe more technology- and knowledge-based jobs versus any job. When we first started down this path, a call center or logistics center was fine, but now we are looking at advanced manufacturing, at least in the north, and also start-ups. Start-ups may pay more, but they will have fewer jobs and not a lot of capital. There are probably some issues we could look at to expand these programs.

Derek Armstrong:
There is some natural progression for our incentives and the state average wage for qualification and eliminating some of those industries as well. Distribution centers really have not qualified. For Amazon.com, they have done two distribution centers in North Las Vegas. The first qualified very early on, and now their average wage is not high enough to qualify for incentives. As the wage goes up, the only focus we will be able to have as an incentive is some of those higher-paying jobs. I see that advanced manufacturing and technology are really taking off in northern Nevada, and we want to continue that.

Paul Anderson:
Your point is very valid. We currently have engaged SRI International to do a follow-up study from the original back in 2011. That study was focused on more regional-focused efforts. As you hear from the Economic Development Authority of Western Nevada (EDAWN) and some of our Regional Development Authorities (RDAs), you will find that entrepreneur and tech start-ups—those types of efforts—are going to be necessary and will continue to be necessary. I think allocating resources to those efforts would be very appropriate.

Vice Chair Ratti:
One of the questions I get asked a lot is, Would these companies be coming regardless? Are we giving money to companies that would come whether we gave them that money or not? My understanding of how this works, and please correct me if I am wrong, is that you do not pick winners and losers. If they meet a set criteria, they qualify. So if that is the case, how do we know that we are not giving money to companies that would have come anyway?

Paul Anderson:
That is a valid question and is a concern we all have when we look at what we should do to refine the approach. If you look back at 2011, We were happy to have a job. Now, that progression has turned into, We are happy to have a job that meets additional criteria. When it comes down to whether they would come, that comes down to an issue of comparing ourselves to other states, and what our benefits are versus what other states offer. We compete with these states very directly. Oftentimes we will get a request for information or a request for a proposal. The site selectors or the companies themselves will evaluate based on what the packages look like. If we do not have a package, we are simply not at the table. We would not even be at the table having these conversations without the packages we have to offer today. Our packages are not the best; we are not the cheapest place to operate based on other opportunities they have in other areas, depending upon the sector and industry states are focused on.

We do due diligence and find out where else they are looking and who else we are competing with, and we have a good understanding of where the finish line is—what it is going to take to close the deal. A lot of times we spend a good amount of time explaining why Nevada is good, even though we are not the cheapest place to operate.

Derek Armstrong:
Our incentive packages are often not the largest. It is getting a seat at the table, and it is the work between GOED at the state level and how well the local governments and our RDAs perform that really create a package and an atmosphere in which a company wants to participate. It is not just an incentive and you will come or not. We do have some of those conversations once in a while, but it is not the overwhelming majority. Page 9 (Exhibit C) will explain that a little better.

Mr. Anderson stated that 92 percent of the businesses we help, incentivize, or assist are small businesses that meet the *Nevada Revised Statutes* (NRS) definition of less than 150 employees. This further illustrates that point to where the majority of businesses are even smaller. We help 76.5 percent that have fewer than 51 employees. If you add up the first two, 1 to 100, that gets us up to almost 90 percent. The majority of the businesses that come to our office and we assist are very small businesses.

I wanted to highlight a couple of different things on page 10 (Exhibit C). The first is, sometimes we hear that a lot of economic development comes north and it is not south. This page does a good job of showing what the breakdown is of companies geographically. All across the state we are seeing these companies come to our office and we are helping assist. The second point, as to whether or not they will come to the state, we approve companies but it does not mean we always contract with them afterward. We are still in competition with other states even after we have approved them, because they have not made a final decision to come here. That is one explanation as to why there is a reduced number of approved companies versus contracted. Additionally, sometimes they just cannot find a site that meets their needs. Another thing I wanted to point out on this page is the graph on the bottom right, the new versus expanded companies. We have seen that with the companies we have approved and contracted with, it is almost a split down the middle of new companies that are coming to the state versus the Nevada companies that are expanding. Oftentimes we hear we are only helping bring companies here, but that is not true. We help a lot of companies expand and grow in Nevada.

On page 11 we talk about contract compliance. For a company that receives incentives, they will go through a two- and five-year audit by the Nevada Department of Taxation. We have seen that not only do a lot of the companies perform and do well—seeing that 84 percent of the businesses that are growing and expanding are succeeding and compliant—but even if they are not, they are still in operation and performing, and we are able to claw back. The one we have for repayment outstanding is a company that is still in review and their case is being heard.

Page 12 goes over our abatements, without the aviation or data center abatements. This is just our standard abatement package. You can see that for the total standard abatement packages over the years, we have abated $362 million. We have seen a net new tax revenue of $1.9 billion.

Page 13 shows the total abatements that are included in our standard package, plus that of the aviation and data center abatement. You can see that there have been abatements of $900 million, but net new taxes of over $2.5 billion to the state.

Something to point out, and I should have done this on page 12, is our standard abatement package is a short-term abatement. The sales and use tax abatement goes for two years, the MBT goes for four years, and personal property tax goes for 10 years. Once those timelines hit, those companies are paying all their taxes to the state.

To wrap up our packages, we have two types of catalyst funds. We have the catalyst funds themselves and then transferable tax credits [page 14]. These are grant programs we do through the local municipalities. They are all performance-based and we usually structure them over a period of years.

Matthew P. Moore, Deputy Director, Office of Economic Development, Office of the Governor:
I will walk through in a similar fashion some of the other economic development tools and programs we oversee through GOED—Workforce Innovations for a New Nevada (WINN), Knowledge Fund, and Nevada Opportunity Fund—and will talk about each of these in a little more detail [page 15, (Exhibit C)]. The Workforce Innovations for a New Nevada was originally created in 2015 [page 16]. It is really a closing tool to address workforce concerns for prospective businesses looking to relocate to Nevada. In 2017 and 2018, we really refocused our efforts to build out this program. In March 2018 we hired a full-time workforce coordinator who has absolutely shaped the program and driven the conversation with partners and industry. This is an industry-based program. When a business comes to us

and says it needs a skill set that does not exist, and there is no current training program to build that workforce, the WINN program helps the Nevada System of Higher Education (NSHE) institution build a curriculum, buy the equipment needed, and get that program up and running. On the back end, each of those businesses contracts and agrees to hire graduates from that program.

There is a list of the WINN programs approved to date on page 17. We work with NSHE, the Department of Employment, Training and Rehabilitation, and the Office of Workforce Innovation in the Office of the Governor. We work together on the direction of the investments—those centered around what industry needs. This program is flexible and responsive to the needs of industry to build the workforce.

The majority of the programs really took off in the latter half of 2017 to 2018. Many of these programs are still getting established and running. Right now we have 17 industries that have signed up—38 employers, 715 participants, and over 250 credentials produced through the program.

Unemployment rates have dropped and today we have an environment where employees and employers need upgraded skill sets. We do see there is a need to train currently employed workers in the workforce—the incumbent workforce. We do have this list [page 18] as a recommendation of future programs we have that are already in the pipeline or have not been approved yet, and their initial estimated cost. We also have a recommendation to further shape WINN in Assembly Bill 32 that allows us to address that incumbent workforce, to include them in this program, and to allow us to fund approved projects across the biennium. Based on the current funding levels, you can see that the program will be effectively closed out with the current funding levels and the programs that we have in the pipeline right now. [(Exhibit E) was presented but not discussed, and is included as an exhibit of the meeting.]

We have provided a Knowledge Fund catalog that discusses each of these programs in more depth (Exhibit F). The Knowledge Fund is really focused on developing technology, pushing it out into commercialization, and spinning off businesses [page 19, (Exhibit C)]. It is focused through the University of Nevada, Reno (UNR), the University of Nevada, Las Vegas (UNLV), and the Desert Research Institute. It is connected with other programs I will talk about. As that business builds, develops, and spins out, we have other programs to push it along and get that business up and running.

The Nevada Opportunity Fund, also known as the Small Business Enterprise (SBE) Loan Fund, came from a bill sponsored by former Senator Ford [Senate Bill 126 of the 79th Session]. It really focused on microlending to traditionally disadvantaged small businesses. We negotiated a memorandum of understanding and entered into an agreement with a lender and deployed the money in April 2018. Since then, over 60 percent has been deployed. These are very small businesses. The program gives either $25,000, $50,000 or $100,000 microloans to traditionally two- to five-employee small businesses.

The State Small Business Credit Initiative (SSBCI) has two portions remaining [page 21]. The first is the Nevada Collateral Support Program. That enables us to make a loan go with an expanding business. If you think of a business that is cash rich, has proven performance, and would like to expand but lacks the collateral to do so, we can contribute up to 35 percent of the value of the loan to the lender to provide collateral up front to make that loan go through. You can see we have done 20 collateral support agreements. We have deployed $9.1 million in collateral that we have accessed through that program for small businesses, and over $21.6 million in lender capital. Right now we have zero defaults in that program.

The other component of the SSBCI is called Battle Born Venture [page 22]. When I referred to the Knowledge Fund earlier, it said we have one great example we are working through now, a company that has commercialized its technology through WaterStart, has already bootstrapped, has gone through the first Series A of venture capital investment, has proven performance, and as an example we are currently doing due diligence on that company right now to contribute into the further expansion of that company. We have 12 of those agreements. Not all are Knowledge Fund projects. The total amount deployed has been $3.6 million. All of those companies are continuing to grow and are valid entities still to this point.

Our International Division has two primary objectives: to help Nevada businesses develop an export market and to recruit successful foreign companies to relocate and expand in Nevada [page 23, (Exhibit C)]. The best example to help local businesses expand: We recently announced almost $57,000 of State Trade Expansion Program grants to eight businesses to help them market and gain access to international markets, to expand their export capacity.

Page 24 shows a snapshot of current agreements the International Division has brokered and negotiated with foreign governments, the amount of funding for those completed agreements the foreign entities have provided, and a highlight of some agreements in progress. One of the programs that has spun out of this is Nevada Global, a good example of what these agreements lead to.

What the Nevada Global program does is create outreach to international foreign businesses. It creates a public-private partnership here and an ecosystem around the company as it comes to Nevada, enabling it to do a soft landing and immediately establish operations here [page 25]. It is really attracting more, and these are all typically small companies, but with proven track records in their various markets.

A quick highlight of other GOED activities [page 26]: We also do rural community and economic development that is based around the nonentitlement Community Development Block Grant Program. This shows over the last two years the grant totals that are all U.S. Department of Housing and Urban Development (HUD) money, but the state can actually run that program on behalf of HUD for the 15 rural counties.

Nevada Main Street is a two-year program. It provides structure, coaching, and access to consulting focused around the communities' own vision for downtown to drive space making for small businesses. We currently have nine communities that have applied to the program, and six of those have recently applied for our newly unveiled Main Street Rehabilitation Grant program for a total of $99,206.

The Nevada Procurement Technical Assistance Center (PTAC), Procurement Outreach Program [page 27] is a program funded jointly with us and the Defense Logistics Agency, U.S. Department of Defense, to coach client businesses on how to access federal contracts of all types; how they access requests for proposals; how they become certified; how they get a CAGE [Commercial and Government Entity] code; and how they can bid and win all types of federal contracts. They also administer the Emerging Small Business Program, which is a similar program focused on coaching businesses to gain access to local and state government contracts, and the Nevada Film Office under GOED that essentially attracts productions and has them film here in Nevada. We do a little bit of a deep dive on each of those programs.

The highlight here for PTAC is an increase in awarded contracts from $40 million in 2016 to over $371 million in purchase year 2018 [page 28]. That is a significant accomplishment in the number of businesses, consulting hours, and other metrics that they track. There are some statistics on page 29 for the Emerging Small Business Program. It affects 731 Nevada businesses gaining access to over $20 million in state and local government contracts. The Nevada Film Office shows an average of 447 productions per year for the last 10 years [page 30].

Derek Armstrong:
Nevada Opportunity Zones are highlighted on page 31 (Exhibit C). In the Tax Cuts and Jobs Act of 2017, Congress included this as part of the bill. Nevada Opportunity Zones are designed to spur investment in low-income census tracts. Working with local governments, business industry, and private stakeholders, our office created a ranking system of the low-income census tracts in the state, recommended those tracts to the Governor, and then the Governor sent those over to the United States Department of the Treasury to be certified. In June 2018 those census tracts were designated with a ten-year designation. With those designations, investors making investments into those zones receive a number of tax benefits depending on how long they hold their investment and if the investment appreciates. Based on our information—there are 61 tracts—the average family income is $37,000 in those census tracts and the unemployment rate is 16 percent. So, having the ability to create investment and change some of the lives in those census tracts are hopeful outcomes from that program. That concludes our presentation, unless there are questions.

Assemblywoman Benitez-Thompson:
What I appreciated hearing was the talk about taking a look back. When we think about the economy as it is today versus the economy when GOED was set up, what has changed and what is going to be the most beneficial way to move forward to ensure we are still attracting business and industry, but at the same time raising the bar?

In looking at your report to the Legislature on the abatements that come from taxation (Exhibit G), these reports come out every year. I thank you for having aggregate numbers in here. One of the directions I would love to see this office go in is when we are looking at the number of jobs. My comments are to NRS 360.750, tax abatements, [pages 3 through 14, (Exhibit G)]. I remember sitting as a freshman legislator in the 2011 committee hearings when we were contemplating setting up GOED. It was a really good conversation we were having about what it meant to bring new business in—what "new" meant. We talked a lot about quality of jobs that we wanted in Nevada. As I look back, the thing that strikes me is looking at the number of new jobs and then the average wage of the jobs. As I look through the years, we have some interesting things happening. When I see average wages under $20 per hour, those figures can be disappointing. Those figures looked better in 2018. I think it is a good time to have a conversation about what that average wage looks like in exchange for these abatements; holding to the state average wage in any given year and then going north of it but making sure we are seeing that state average wage baseline reflected in these packages.

With regard to new jobs, I think this would be a great place to have a conversation as well, because in aggregate the numbers look impressive. In aggregate we can look and see that in 2013 there were 760 new jobs brought in by GOED. But when you start looking at the abatements that were given to companies that bring in eight new jobs, five new jobs, ten new jobs, perhaps we could have that conversation and threshold about the number of jobs that are coming in that are associated with each one of these abatement packages and where we see the combination of companies that are receiving a low number of jobs and the average wage tends to be low. I think, ultimately, that if we can bring those numbers up, then as a state we are doing better. I wonder how compelling it is when we look at some of these packages, and is it compelling with what our state mission and goal is?

Taking a look back on aviation, there are some places where this is doing great. It is producing a great number of jobs at a great wage. On page 16 (Exhibit G), 60 new jobs were created in fiscal year 2018 at $31.68 per hour. This is a great purpose of GOED. As a legislator, when I voted for this, this is the trend we wanted to see. When you see other people getting abatement packages for 12 jobs and under $20 per hour, I do not think it is compelling for the purpose and the mission of GOED.

As we move forward in this session, I think it is a wonderful time to have that conversation. I think you are right, Mr. Anderson, that sometimes there are specific articles that come out that look like the state is giving things away and perhaps giving too much. I do not think that is always true, but I think there is definitely an argument within these numbers for raising that bar and really making sure these investments are producing a good number of jobs with great wages; that way, we can continue to keep these resources flowing.

Paul Anderson:
There was a previous question about whether they would come without these incentives. I think we have around 145 years of experience of being a passive organization in a state that did not participate in the abatement and incentive packages. Our history has been fairly, Let us be the cheapest place to operate and see if they come. That does not work and has not worked. We have about eight years of data now that shows what we are doing does work.

To your point of the wage structure, every year that average rate resets, and the requirements for the abatement packages reset every year. The GOED board sets the threshold at that point and makes sure that every year you will see that the average wages have continually increased. As the state average wage goes up, our requirements go up, and we require that to be met. There are certain criteria that may be a two-out-of-three component area, but if you look again at some of those earlier jobs, we are average on those, so there could be jobs that are higher and lower inside of that package. For the most part, the trend is up and our requirements continue to trend up.

Each session we should be refining these packages. Each session we should reset our priorities to understand what Nevadans want and focus on what those are—to the previous point of regionalizing those focuses and making sure each area, including the rural counties that struggle to meet some of the requirements we have—in order for those companies to receive abatements. One in particular is that we have an export requirement. We do not incentivize restaurants, construction companies, certified public accountants, or attorneys. These are, by definition, secondary jobs, or temporary jobs in some cases. The export requirement is to help us define the primary job description so these companies have to export their products or services out of the state, at which time they import dollars and then grow the economy bigger. Our goal is for diversification. I think we have seen evidence that it is working, that our foot is on the gas, and hopefully we will not be taking our foot off the gas in preparation for the next recession or the next slowdown.

Vice Chair Ratti:
I think we have defined the playing field.

Assemblywoman Benitez-Thompson:
When we give these abatements, is the requirement for the state average wage a hard number?

Matthew Moore:
No, it is the average wage at the time. When you look at $12 to $13 per hour, you have to consider what the average wage was at that time and did that wage meet the threshold. Additionally, when we were over 7 percent unemployment, that wage trigger was based on

the county average wage. You then have to dig into what the average wage was in that county and determine whether they met that threshold. Now that our state unemployment rate is below 7 percent, that wage threshold is the state average wage at that time.

With the state average wage at $22.54, it is very easy to say in 2011 we gave an abatement to a company that was making $13 per hour and that was not very good. You have to look back at what was either the state or the county average wage at that time and did it actually meet the threshold. As far as the six to seven jobs, those are expansion abatements, so that company is already established here and doing business. It is the same abatement package but the threshold is lower for the number of employees, for them to expand. Because it is the same abatement package, we list them all in the same reports, but it is not accurate to say we incentivized a company to move to Nevada for seven jobs. We could dig back and see what that actual contract was, but it is likely just an expansion for an existing business here.

Derek Armstrong:
To add one more thing to that, one of our requirements is that a company must pay at least 65 percent of the health care costs for employees. It is not just having that wage. They also have to provide a significant portion of their health care costs.

Assemblywoman Swank:
I know we need to grow our nonprofit sector in Nevada. For the size of our state, it is pretty small. Do these programs also assist nonprofits that are working in our state or thinking of coming to Nevada?

Derek Armstrong:
In A.B. 32, for our workforce program, some of our language changes are to include nonprofits, not just to include traditional nonprofits. When you look at something like University Medical Center that is structured as a nonprofit but oftentimes cannot participate in some of the health care programs we have, we are trying to bring some of that clarifying language to ensure that they can.

Assemblyman Flores:
I was looking at page 25 (Exhibit C), titled Nevada Global. In that conversation you brought up Nevada attracting foreign investment and foreign entities. I assume that is referring to EB-5, L-1, and E-2 visas. Is that correct?

Derek Armstrong:
There are a number of different programs we are able to do funding agreements with. We have some specific examples on page 24 (Exhibit C) showing some of those funding partners. For example, the Queensland, Australia, Department of Natural Resources and WaterStart. That is a joint venture between Nevada and Queensland in which we match the dollars that Queensland did to do water technology research. We are doing that through WaterStart, which is located at Desert Research Institute. The Polish Institute of Aviation and the Nevada Institute of Autonomous Systems (NIAS) is another example. Our NIAS has

reached an international level to where they are going over and helping develop some of the airspace for unmanned aerial vehicles in other countries. Those are some examples of how some of the nonprofits are participating. We have agreements and are working through our university systems, through nonprofits, and through private enterprise. On our trade mission to Africa, we brought their urban chamber with us, and they were able to do some agreements as it related to some affordable housing and other subjects, to where they were able to do some contracts and have some ability to do some back and forth there as well. It is not just EB-5 and that type of investment. It is across the spectrum.

Assemblyman Flores:
I am curious to know on some of those partnerships whether one of the incentives for the investment and/or for them to be working with us is the immigration component to it, some of those immigration benefits that come attached to it. I am curious to know how much of that is playing a factor in some of that foreign investment.

Derek Armstrong:
Our international team will be reaching out to schedule meetings with the legislators to talk about some of our programs. I will make sure they reach out to you to set up a meeting.

Paul Anderson:
Most of our focus is on the government-to-university or government-to-government financing side of things—in that realm.

Senator Kieckhefer:
Do you also keep a schedule of abatement expirations? In looking at the Tesla deal, on page 6 (Exhibit C), the MBT abatement is only for 10 years. I do not remember what year that started, but that will probably be like a $10 million MBT liability to start with upon expiration at existing employment levels. At some point that is going to be realized revenue for all the local governments. Do you know when all of that will hit? Is there a schedule of that based on all the abatements that stagger over time?

Paul Anderson:
We do keep track of the abatement expirations, and 2024 is the beginning of some of those expirations on the Tesla front. The local municipalities will start seeing fairly enormous benefits compared to current State General Fund funding levels. We do have a report and are happy to provide that to you if you need it.

Derek Armstrong:
We work with fiscal staff to ensure we know the schedule of the transferable tax credits and when those come off the books as well. Some of that is not just local, but state related.

Chair Neal:
Last session there was Senate Bill 442 of the 79th Session, which created this multisite tool. Does GOED consider it a tool?

Paul Anderson:
We consider it a tool. We have had conversations with companies that could take advantage of it. It would require a significant investment across multiple sites, but we have yet to have anyone ready to take advantage of it.

Assemblywoman Spiegel:
When you are calculating the average hourly wage, is that a straight average of all of the wages as a result of the program, or are they weighted by the number of employees at the job function?

Derek Armstrong:
It is an average wage of the jobs in our application.

Assemblywoman Spiegel:
If there is a chief executive officer who is making $250,000 per year, and everyone else is making $20,000, would you average it?

Matthew Moore:
It is a weighted average wage.

Vice Chair Ratti:
We will move on now to the Las Vegas Global Economic Alliance.

Jonas R. Peterson, President and Chief Executive Officer, Las Vegas Global Economic Alliance:
I appreciate your time this afternoon to share with you a progress report on economic development in southern Nevada (Exhibit H). I plan to walk you through it briefly—the Las Vegas Global Economic Alliance (LVGEA), who we are, what we do, talk a little bit about our action plan, what is working in economic development, and some opportunities to improve what we are doing.

The LVGEA is a 501(c)(6). Our mission is to grow the economy in southern Nevada. We are the regional development authority (RDA) for all of Clark County. To grow the economy in southern Nevada, we do it through recruiting companies, retaining and expanding existing firms, through community development, and through business outreach—connecting businesses to resources to help them grow [page 2, (Exhibit H)].

Since 2012 we believe that the entire economic development system has been incredibly successful [page 3]. At LVGEA today you have one plan that is supported by a 50-member board of directors who are public, private, and educational leaders through the region; 180 investors supporting the work; 75 active partner organizations pushing our strategic plan forward together; cities; counties; chambers of commerce; business organizations; and many others. We work together as one alliance. Since 2012 the companies we have assisted have provided over $13 billion of economic impact.

The action plan of LVGEA is what we actually do as an organization [page 4]. Our work is organized around four strategic imperatives. The first is to lead, facilitate, and steward regional economic development [page 5]. Within that strategic imperative there are a variety of goals; I want to draw your attention to four [page 6]. At the top of the list is to recruit new firms. We send out teams around the United States, around the world, to identify firms that would be a good fit in our region in southern Nevada, and then do whatever we possibly can to bring them here, help them get up and running, invest in capital, creating jobs in southern Nevada. That could be providing market information, site selection assistance, access to deep market information and comparisons, incentives, and so much more—whatever it takes to help those companies get up and running. Number 2 on the list, for our goals, is to work with existing firms. In any given year we will reach out to hundreds of local firms throughout Clark County, run them through a series of diagnostic tools, and identify opportunities to help them grow or avoid reductions in their labor force. Expansion activity and retaining our existing firms is a big part of our work; in fact, over the most recent year it was nearly half of the companies we assisted. Our model is to get all partners working together. It is an alliance. Public, private, educational leaders—everybody moving in the same direction. That is the beauty of the RDA.

We track many performance metrics along the way [page 7, (Exhibit H)]. Within this strategic comparative, I would like to draw your attention to a few. At the top of the list in 2018, with the help of many partners, we assisted in the creation of over 4,369 jobs. Those jobs had an average wage of $28 per hour. I believe that is the highest we have seen since the launch in 2012, so we are moving in the right direction. The overall economic impact from those firms was $500 million and the projected fiscal impact was $23 million.

Our second goal is to strengthen Nevada's business environment through policy, planning, and research [page 8]. We advance policy that we believe is probusiness at all levels—local, state, and federal. We have deep research capabilities. A couple of years ago we launched a research center. This was designed to take a deep dive into each of our target industries, identify opportunities to grow, to become more competitive with other markets, and create more jobs and capital investment down the road. Advocating for a high-quality workforce is a big part of our work. Companies today will tell us that the single most important factor in where they decide to do business is the availability of an abundant and skilled labor force. Because of that, we are highly involved in alignment and support of the workforce development system. We believe it is a big key to our success going forward. In southern Nevada we are responsible for the comprehensive economic development strategy. This is the federally accepted strategy for economic development in southern Nevada. There are hundreds of programs, services, and initiatives that we implement alongside a wide variety of partners [page 9].

Moving on, our third goal is marketing and communications [page 10]. With a relatively small staff we turn out a tremendous impact in marketing and communications. Much of it is designed to be outside of Nevada, to change the perception of business leaders, and to get in front of companies that are interested in making a location decision.

The work is organized around a few goals such as promoting our quality of life [page 11, (Exhibit H)]. We are going to be launching a talent attraction campaign this year. Now that we are at nearly full employment, it is important that we position our market for incoming talent, and we do a great job of training our existing workforce. We basically need a new worker, trained or imported, for every new job created going forward. We also do a great job of getting in front of those business leaders who are actively looking at relocation, to start promoting Nevada as a business destination.

A couple of metrics that might surprise you [page 12]: In 2018 we were involved in over 900 articles. Many of those were outside of Nevada, highlighting our competitive operating environment. Around 5,000 individuals will engage in our social media efforts each month, which is a big growth area for us.

Our fourth goal is operations [page 13], to maintain a competitive organization with an incredible team [page 14]. I would like to highlight that we have grown up to become a $4.1 million budget per year as an organization [page 15]. The state contributes around $1.5 million for base funding for our work. The remainder, the vast majority of that, comes from the private sector, where you are leveraging your funds to make it go even further in terms of economic development work.

I am proud to report that after a long process, LVGEA has been accredited with the International Economic Development Council. This places us among the top 3 percent of economic development organizations globally [page 16].

We know that ultimately this is about adding value back to stakeholders [page 17]. In 2018 we ran the calculations and know that every dollar invested—whether it was a public dollar or a private dollar in our work at LVGEA through the companies we assisted—generated $144 of economic impact. So $1 comes in as an investment and you get $144 of economic impact from those firms. That return on investment is something we are particularly proud of.

Here is some great news. Who we are and what we do as an organization, is it working and is the economy actually growing in Nevada, in southern Nevada? The answer is an emphatic yes [page 18]. According to the United States Bureau of Labor Statistics, Nevada is the fastest jobs-producing state in the country. What is even more impressive is if you go back eight years ago, we were dead last. No state has come as far as Nevada from 2012 to the present [page 19]. That job production is driving employment to all-time highs [page 20]. That job production is placing us in an area of tremendous population growth [page 21]. Nevada recently edged out Idaho to become the fastest-growing population center, or state, in the country. Not only is the economy in southern Nevada becoming larger, but it is becoming stronger and more diverse. The chart on page 22 shows the industries that are producing the most jobs. It might be a little surprising. We are up over 90,000 jobs from our prerecession peak in southern Nevada. The fastest jobs-producing industries are education and health services, followed by professional and business services. We are maintaining that growth with 38,000 fewer construction workers. That it is pretty incredible. There is massive construction underway in southern Nevada and we actually have 38,000 fewer construction workers and a huge gap in that area of employment. We need many more to support our economic growth.

You can see the trend [page 23]. Since our launch in 2012 we have become a powerful catalyst for job creation with many partners; most recently 4,369 jobs, but the trajectory is incredibly important. You can see as we move throughout the years, this model is working, and we believe GOED and the RDAs are all seeing a similar level of success [page 24].

Growth is happening, and growth can be a powerful tool for building stronger communities [page 25, (Exhibit H)]. Along the way, I think we would all agree we need to pay attention to how we are growing. I want to share with you a few opportunities for improvement, things that are not going as well as we would like to see.

According to Brookings' Metro Monitor, right now the Las Vegas area is the 32nd largest in the country in terms of population. However, if you stack us up against the top 100 metro areas we are near the bottom of that list for overall prosperity. Our growth is not affecting as many southern Nevadans as we would like to see. It measures standard of living, productivity, and average annual wages [age 26]. This is one area where we need to pay attention going forward. Another is inclusivity. Is that growth affecting all levels of our population—all demographic areas? Here again, our level is too low. We are near the bottom of that top 100 list for overall inclusivity. This index measures our relative poverty rate, median wages, and our employment rate [page 27].

Our economy is growing, but for many of our workers, housing is becoming difficult to afford [page 28]. Back in 2011 the gap between income levels and the single-family home price was fairly small. Today that gap is much larger. Do not get me wrong. We are better off than many markets. We are still in a better position than many of our competitors, yet this is an issue we need to pay attention to as that gap gets larger and larger.

Our economy is growing [page 29]. It is going in the right direction in many cases, but our middle class across Nevada is actually shrinking. From 2000 to 2016 we went from 57 percent to 52 percent in that middle class.

We believe economic development is a big part of the solution—to reverse some of these trends and to continue a lot of what is working [page 30]. The question becomes, How can we do even more to strengthen our economy? How can we overcome some of those negative trends and maximize the positive trends?

To answer that, let me draw your attention to a couple more great statistics [page 31]. Right now Nevada is ranked No. 1 in the country for economic momentum. This should tell you that we are on the right course. We are moving in the right direction. We are also ranked No. 1 in the country according to *Business Facilities* magazine, for remaining economic growth potential [page 32, (Exhibit H)]. We are going in the right direction, but we have a long way to go to get to our final destination, to get to our ideal economy. We would submit that we need to continue supporting pro-jobs policy, supporting economic development, supporting incentives that are working, that are delivering that return on investment; those such as the WINN fund, that relate back to job training and training the workers of tomorrow. Again, once we are at full employment, it becomes about training our workers to fill those positions [page 33]. We are engaged in workforce and economic development [page 34].

Our board has offered what we call a Workforce Blueprint (Exhibit I). This is a document that shows the specific workforce and skill needs for our economy in southern Nevada through 2023. We are going to continue to update this document, and we will continue to have conversations with you about how we can align our workforce and education resources to strengthen the needs of our economy moving forward. Thank you for your time and I am happy to answer any questions.

[(Exhibit J) was submitted but not discussed, and is included as an exhibit of the meeting.]

Vice Chair Ratti:
Unfortunately, the Senate has just been called to the floor. We are going to need to recess. It should be relatively short. We will be right back to finish the presentation, and we will start with questions for the LVGEA. We are in recess [at 5:24 p.m.]. [Meeting reconvened at 5:41 p.m. Senator Dondero Loop assumed the Chair.]

Chair Dondero Loop:
I believe we are ready for questions from our members for the LVGEA.

Senator Ratti:
I appreciated the pages you included in your presentation that talked about while there is economic prosperity, that prosperity is not infusing through the economy and not necessarily making it across the board. Building off of what Assemblywoman Benitez-Thompson said earlier about this being probably good timing: we have a new Governor; we had a plan that has run its course, has seen low economies, has seen hot economies. Now is a good time to take a look at what we might be doing differently. Do you have any proposals for how we change that?

Jonas Peterson:
It starts with continuing the economic development system. For instance, there was discussion earlier about incentives and wage rates that align with those. You heard in my remarks about the middle class that a big part of our work is lifting people up from lower class to that middle class. According to Pew Research, for an individual, middle class is someone who makes between $24,000 and $73,000 per year. In many cases, jobs paying $21 to $22 per hour lift people up. We are trying to push that wage as high as we possibly can, and in 2018 we saw an average hourly wage of $28 per hour.

Strategies to address your question: continue the economic development system and support transportation improvements. Harvard University had a study that came out in 2015 and they looked at barriers moving people from lower class to middle class. One of those that was near the top of the list was large commute times and significant investment for transportation. We think this is a problem we need to address as a state, and in particular in southern Nevada. The third, and most important strategy in my opinion, is workforce development. It is training, higher education, K-12, alignment of that entire pipeline, and it is getting our young people excited about the jobs of tomorrow. It is internships, apprenticeships, and work training programs—that entire system. I think when you are at full employment, you renew your emphasis on workforce development.

Chair Neal:
I had a question about page 17 [(Exhibit H)]. Can you give us an idea of the underlying metrics that are related to that number, because that is a significant multiplier. There has to be some serious activity in order to drive that $144 number.

Jonas Peterson:
What we looked at is the overall budget of LVGEA and then attached that to the economic impact of companies that were assisted in the 2018 time period. We looked at every dollar invested and then the overall economic impact, and these are numbers reported by the company [page 7]. They sign off on the economic impact numbers throughout the application process. It ends up being a really significant number—$500 million is that economic impact.

Chair Neal:
I know you do not have your own economic tools, but how do you go about the business of actually attracting and bringing businesses to you? What is the method? I know what GOED does, but how are you drawing them in?

Jonas Peterson:
We are a research and sales organization. We put a lot of time in and work with consulting groups that help us identify specific firms, primarily throughout the United States, that fit our operating environment and would see a competitive advantage by relocating their firm to southern Nevada. A lot of effort goes into what we call the LEED generation [Leadership in Energy and Environmental Design] ahead of time, identifying those specific firms we would like to attract, that we think we can build a case for recruiting them to southern Nevada; then we start marketing and sending out teams. We set up meetings. We try to get in front of their audiences, their social media accounts, start pitching the region, and we offer them market information. We offer them comparisons—our market versus where they are now. We run the financial models. We show what relocation would mean to their bottom line, provide them those scenarios, and work them through the recruitment process. Ultimately we want to get them to come to southern Nevada, view the product we have to offer, and then pitch available buildings and sites, workforce components—what it would look like if they were up and running in southern Nevada. When they make that decision, then it becomes

about assistance and connecting them with workforce, making sure they have the right building, making sure they get through the permitting process and that their other needs are met. We view it as customized consulting.

Chair Dondero Loop:
Are there any additional questions from the Committee? [There were none.] We will now hear from the Economic Development Authority of Western Nevada (EDAWN).

Mike Kazmierski, President and Chief Executive Officer, Economic Development Authority of Western Nevada:
I want to thank you for listening to and understanding what we do in the economic development world. Sometimes it is like fuzzy math, but at the end of the day our greatest pleasure is finding an opportunity to give someone a great job. It affects families and local government budgets. It affects lives. That is why we are so passionate about what we do. I can tell you the team at GOED is first class and we are excited to work with them. When we have something going on that is urgent, they are available. They make the time. They understand that economic development is sometimes a 24-hours-a-day, 7-days-a-week requirement. I am pretty proud of the team Nevada has, and certainly our local team and the other RDAs.

I will run through this presentation quickly because it is getting late and you have seen and heard some of this information already. I will focus on a couple of areas I think are important. Let me start by saying last year was a great year [page 3, (Exhibit K)]. You may not realize that in the world of economic development, to be recognized as the fastest-growing city in the country is a big deal [Milken Institute Best-Performing Cities Report]. It speaks to the attractiveness of our region, and certainly the state of that as well. We do not do it without partners, and our partners are what make us attractive. It is not just an economic development agency that throws a bunch of data at somebody. It is getting them to visit and understand that in our case, northern Nevada is a great place to do business, in a wonderful state, but a wonderful environment to live and grow a family and just enjoy life.

Our numbers for last year were amazing in our world [page 4]. Twenty-nine new companies, the highest percentage of technology ever—of those 29, 11 were in the technology space. Even just a few years ago we were lucky to get one or two technology companies to look at Nevada. Now we are starting to see that as something that is becoming very real. Also a highlight are the 15 corporate headquarters. When you bring in a corporate headquarters it is a big deal. You are talking about the executives, the decision makers. You are talking about bringing conferences, clients, and all the other things that help the airport, help our rooms in the different facilities. It is a much bigger impact than a noncorporate headquarters site. We really put a lot of emphasis on that.

If you look at our job numbers, these are assisted numbers in our region. We do not include Tesla in our numbers, but I highlighted where Tesla occurred in this timeline [page 5, (Exhibit K)]. You can see we had some pretty exciting activity even before the Tesla announcement, and certainly after Tesla, things have continued to ramp up. This last year, in response to the fact that we have pretty much run out of labor, we have actually tried to bring in fewer jobs. That does not make a lot of sense in the world of economic development unless you realize that the jobs you bring in need to fit with the community. It is no longer any job is a good job. What we are bringing in are the technology jobs, the higher-paying jobs, and the jobs that give people in our community a better opportunity for a livable wage. With these higher wages they can now pay the higher rents that go along with growth.

Over the last several years [page 6] you can see the average wages of the companies we work with have nearly doubled. Our track so far this fiscal year is exceptionally high. We expect that to come down a little bit. Our goal is at least $55,000 average salary. When you compare that to 2016, you can see we were at $36,434 for an average salary. Again, average wage is a weighted average wage, but $36,434 is no longer enough to live on in our region, and even $55,000 is not. We are excited to see the higher wages coming into the region.

When you talk about marketing, page 7 shows our key metric. Can we get a company to visit us? If we can get a company to show up and actually walk through the UNR campus, look at our business park, at our wonderful snow-covered mountains, and understand the Reno-Sparks area is a great place to live, work, and play—our closure rate is very high. Over 70 percent of the companies, once they visit, decide to come. You can see where we try to get eight to ten companies to visit us every month. There is a lot of marketing that goes into getting that to happen. We have adjusted our marketing from certain types of companies to now more technology, more Bay Area companies, and more start-up companies. We are actually continuing to shift where our marketing effort goes, so the companies that do visit are the companies we really want to land over time.

In an example of pending announcements [page 8], these will be companies that will likely be announced in the next several months. These are pretty exciting companies that will help continue to change our economy. We are working with about 150 companies in addition to those listed as pending [page 9]. Those are companies of all types. Some are just in initial exploration and others have visited us more than once. It is a very aggressive process. It keeps us quite busy. When a company visits, it is usually a multiday process. They come in, we show them the community, we go through the numbers with them, and we help them understand why the northern Nevada market is a great place for them.

When we bring them in, we have a team to focus in on helping those companies succeed [page 10]. It does not do us any good to bring them in if they struggle once they get here. In fact, that is why our average wages are going up so high. We tell companies early on that if they are not paying enough, we strongly recommend they go somewhere else because they are not going to be successful in our region. Our goal is to bring them in, keep them here, and help them grow. We have companies all the time that will call us and say they are paying $12 to $15 per hour and we will tell them they cannot compete in our market and probably need to go somewhere else. It is nice to finally be choosy in what we are looking for, but that is the situation we are in now, in large part because we have managed to put everyone back to work. Now we need to raise the level of wage they are getting. The retention side does that. We go out and visit companies, work with them. We help them connect, help them understand where they can find workforce, and help them meet their needs and be successful in our region.

Their No. 1 concern is they run out of people [page 11, (Exhibit K)]. Early on we told them you have to take care of the people you have. It is no longer that you are lucky to have a job. Now you have to give them a lot more of the benefits, the quality-of-life concerns, a little bit of a break in their hours, things that make them want to stay there because they can get a better job across the street.

The bulk of the retention effort now is workforce [page 12]. We divide it into four areas:

- Retention: How do you retain your employees?
- Connection: How do you help connect not only with the employees but the educational institutions?
- Training: What do you need to do to train in order to keep your employees excited and engaged?
- Attraction: It is what we think is the most important one. We put a lot of effort in attracting talent to our region.

Retention, connection, and training are very much a part of connecting the ecosystem [page 13]. We would list apprenticeships and internships as one of the most important things a company can do. I am sad to say, despite our beating that drum, we have only 150 of the 10,000 companies in our region aggressively using interns right now. Our goal is to get them all to use them. We are pushing in every way we can to encourage internships. That could be something, from an incentive perspective in existing companies, we could look at. Once a company has started using someone from a university or community college and engages with them, it is almost like a job interview. It is also a chance for that student, that future employee, to understand what work is all about. It is a double training. The company gets an advantage and the student gets that pre-work before they have to get a job.

The attraction side is something we are putting a lot of energy into. We have a contract employee now working in the San Francisco Bay Area with eight higher education institutions to connect with their talent who are looking for jobs, to help them understand that the Reno-Sparks area has a lot of job opportunities. Our strategic focus is the development and attraction of technology and engineering talent. Robotics and coding are more important than ever. The robotics piece is an excellent training ground for our students, and yet in the Washoe County School District fewer than 25 percent of the schools have robotics in the school. That means 75 percent of our children do not even have a chance to sign up for any kind of robotics training, yet those are the skills they will need in the next few years for the great jobs we are bringing to the region. That is an area we are really pushing and we would encourage the Legislature to look at. Coding is just as important. I have mentioned the interns and to enhance collaboration [page 14, (Exhibit K)].

The third part of our program is the entrepreneurial piece. It is the one people tend not to put emphasis on. It is the most important part of economic development [page 15]. The jobs of the future are being created in the minds of our Nevadans right now. They will go somewhere else and grow their companies if we do not help them do it here. That is why we put a lot of emphasis in the entrepreneurial ecosystem and how to grow it.

When you look at the 50 new companies we have assisted, either through attracting or helping grow, people roll their eyes and say, It is only 150 jobs, what is the big deal? I can tell you that one of those companies—two people we brought in two years ago—is now 50 jobs, and they are paying their employees over $75,000 per year. We helped them come here from New York—two people—and they are now at 50 employees. That is never counted in the numbers, but that is what you see happen in the entrepreneurial ecosystem—the ability for companies to grow in Nevada and not have to go somewhere else to be successful. Then we spend all this money incentivizing and they come back. It does make a lot of sense if we could just get them in the first place.

The ecosystem is pretty complex [page 16]. It takes years to develop. We put a lot of energy into that. Our focus for this coming year is to continue to increase the ecosystem connectivity and make it attractive to start-ups and companies [page 17]. We have set up a Reno Seed Fund to help early-stage companies get over those first couple of hurdles so they can grow here and not have to go somewhere else for money. We are also looking at the Bay Area attraction piece, and how we attract talent and entrepreneurs from the Bay Area. For us it is a fairly easy jump over the mountains.

Page 18 talks to the attraction efforts and page 19 to the Reno Seed Fund. You have seen the three focus areas: attracting great companies, helping them grow, and the entrepreneurial ecosystem. That is really what economic development is in our region. In those three areas we have had great progress and great success, but we also have a challenge coming to us, which is housing [page 20]. Our housing prices have gone up. They are not ridiculous compared to California, but they are compared to Reno five years ago and compared to the Midwest in a lot of places. We have people who are starting to be adversely affected who can no longer afford to live in housing. They are being forced on to the streets. We have more working homeless than ever before. That should scare everyone. It will continue because we are not building houses as fast as we should.

Page 21 shows you jobs compared to what we have actually built in our region. Of course, during a recession you do not expect a whole lot of building, but after the recession you expect things to bounce back. Well, it really has not. You can see there is a huge gap in our housing that has caused a lot of problems [page 22, (Exhibit K)]. It has caused our prices to go up. You can see the median wage is the red dotted line. Someone coming in and getting a median wage job, which is $75,000 per year, cannot afford to buy a house—existing or new.

When you cannot afford to buy a house, what do you do? It is no big deal; you rent a house, an apartment, or a condominium. Yes, it is a big deal because our vacancy rate is 1.7 percent. There is nothing available, and what is available continues to go up. The housing piece is an area we are going to ask for help on at some point. It is certainly not a Reno problem. It is probably not even a state problem. It is a national problem, and we know that affordable housing is a concern across the country.

Another concern is the road to the Tahoe Reno Industrial Center. The Industrial Center was 5,000 people just a few years ago. It is 15,000 now. It will be 25,000 in the next five to ten years. We have two lanes there and two lanes back, and there is almost no alternate way to get there. Eighty-five percent of the people who work at the Tahoe Reno Industrial Center live in the Reno-Sparks area. That is going to continue because there is not a whole lot of housing anywhere else. It is becoming a serious problem. It used to be that once a week we had an accident on Interstate 80. Now it is every day. It is a growing safety concern for our region.

I would like to thank Senator Ratti in her efforts to move Senate Joint Resolution 14 of the 79th Session forward [page 25]. We have a flawed property tax system. Local governments cannot help with housing or fund what they need to do if 40 percent of their income is based on tax revenue from property that continues to depreciate. We, as a state, need to figure this one out because the other 49 states already have. Depreciating real property value causes your property taxes to go down while the cost of government goes up. This is an issue that as a business community in the north we are going to rally to support, and I would ask our neighbors in the south to do the same.

I would like to draw your attention to the box on the bottom of page 25. We just looked at a house that sold for $470,000 that three years ago would have probably sold for $300,000. The tax on a newer home is $5,640 per year, and the older home—same value—is $715. How is that fair? That is almost $5,000 for that one house that local government and school districts are not getting in tax revenue. Of course it is going to cause problems, and from a business community perspective, at some point someone is going to have to pay those bills. If it is not the property owners over time, then it is going to have to be someone else.

I have touched on the areas where we need help [page 26]. Mr. Peterson talked about workforce development. It is essential that we invest in Nevadans and support the development of Nevadans. The jobs of the future are coming to this state but we are not trained for them. If we do not invest in the training of our future employees, the companies will stop coming or will import talent, and we will be doing the low-wage jobs when someone else will be getting paid $150,000 per year. We need to invest in the development of our workforce. That really starts with the K-12 system. I mentioned reset-upon-sale legislation, support for entrepreneurs, affordable housing, and then ultimately what we do is important. We like to think so and we would ask for your support. I am happy to answer any questions you may have.

Senator Kieckhefer:
On the average wages you listed for 2014, are those assisted jobs or average total jobs in the community?

Mike Kazmierski:
Those are assisted jobs.

Senator Dondero Loop:
Are there any other questions from the Committee members? [There were none.] We will now hear from the Northern Nevada Development Authority (NNDA).

Robert C. Hooper, President and Chief Executive Officer, Northern Nevada Development Authority:
We have provided each of you with a folder (Exhibit L). There is a lot of good information in there. I would encourage you to go through it and take a look. I will be referring to some of this content during my presentation.

During the past two years since I was last honored to come and report to this Committee, the NNDA has provided assistance to 34 companies that have relocated or expanded into the region. The region continues to thrive and grow. Last month, during our annual state-of-the-counties meeting, our county managers all reported they expect strong growth for 2019.

We are a domestic 501(c)(6) nonprofit corporation. We were established in 1981 as the first regional development authority (RDA) in Nevada and we celebrated our thirty-seventh birthday back in July. Our role is three-fold [page 2, (Exhibit M)]. We view ourselves as the connectors, navigators, and the problem solvers between the Sierra region's business community, government, and the many resources that support the economic ecosystem.

Our region is unique [page 3]. The Sierra region encompasses four counties: Carson City, Douglas County, Lyon County, and Storey County; three incorporated cities; and over 25 unincorporated towns. And I am proud to say we have 7 of Nevada's 27 tribal communities located within the region. Carson City is not considered to be rural because its population is over 50,000, so it is a small urban city. The region is a mixture of small urban, deep rural, and everything in between. The Sierra region also includes the south shore of Lake Tahoe.

Our agency is responsible for 3,196 square miles within this large region. That is a lot of land. Our population is over 161,000 and growing. This makes us the third-largest metropolitan area in the state. Though this region is very large geographically, all of our communities are interconnected and interdependent. What affects one area, town, or city affects the entire region. This is very different from traditional urban areas. We truly have an ecosystem, and in the metropolitan areas they tend to be concentrated within a more compact geographic area.

Our Nevada Sierra region has a diverse set of industry sectors currently: Advanced manufacturing, construction, logistics, health care, and mining are the fastest-growing industries; however, tourism is a steady contributor to the ecosystem [page 4, (Exhibit M)].

Sometimes it is really difficult to explain to people what we do in economic development, particularly when you are dealing with a mixed small urban and deep rural situation. My staff put together this strategic focus wheel [page 5]. This is a broad approach to economic development. Our goal overall is to maximize economic upticks and to minimize and mitigate financial downturns. We are in constant vigilance of growing this ecosystem.

We receive support and assistance from our partners and key collaborations to accomplish our goals [page 6]. We really are the organizers of bringing a lot of activity together—federal and state officials, and also the community—businesses that join us and support us. Seventy percent of the funds we work on come out of the private sector, so we are very happy for our support. We appreciate the relationships we have with our Assemblymen and Senators with a lot of hands-on direct contact in growing the region.

As far as our achievements—our business development since 2010—we have reduced the industrial vacancy rate from 26 percent to 3 percent [page 7]. That is really a big deal. If you go back to 2010, we had a lot of empty buildings. We are under 3 percent now. That is one of our biggest issues. I agree with Mr. Kazmierski and what you heard from Mr. Peterson: workforce is a big deal. It comes up in every conversation we have, with not only new companies looking at us but also existing companies. In our region the lack of buildings is one of the areas we are really bumping our heads. I also want to add that that reduction took place pre-Tesla. Tesla has helped out a lot, but we were already filling up our buildings. We have developed a pipeline of over 775 companies. We assist over 100 relocating and expanding companies. We have helped bring in more than 5,000 new jobs. Again, this has been since 2010. Our total economic impact is over $1.4 billion for the region.

Many times when people look at economic development, they think everything is going really well and we do not need economic development [page 8]. It does not work that way. I wish it were that easy. The pipeline that we have will range anywhere from six months to ten years. We are working with one company right now that we have been talking with for ten years. You might think we would give up but we do not. Their chief executive officer has already bought a home in the area. They are going to move so we continue to work with them. Some of them are really fast. You have to keep in contact with these companies and move them along. Just as Mr. Kazmierski said, a lot of companies get ahold of us and they do not fit. We had one company that wanted to bring 6,000 jobs and needed one million gallons of water per day. Sorry, that is not going to work here. We have other companies that tell us they have a great call center and they are willing to pay $10.50 per hour. Sorry, that will not fit here. We are sort of a filter for the companies that want to come here.

With workforce being a really big issue for us, we are very happy and proud that we have Western Nevada College (WNC) here [page 9]. We are deep partners with WNC. I am honored to chair the Institutional Advisory Council (IAC) up at WNC. I might also add that we have three of our key partners that are members of the IAC. That gives us a really neat window into the chancellor's office, into the president's office, and working with the Board of Regents of the Nevada System of Higher Education. We are using that also to coordinate our K-12 superintendents. We have one body that meets every quarter, and as the chair, I have the opportunity and privilege of meeting with the chancellor and sitting on the chancellor's workforce advisory group. We are focused on that because somehow we have to bring up our workforce.

One of the things we are working on right now answers a question from earlier: How do we bring up everybody in this economic boom? I will guarantee you, if you live in Silver Springs right now, you may not be very happy that the boom is going on. We have a huge opportunity right now. There is a missing workforce in Nevada. These are folks who are not on any type of public assistance. They are between the ages of 25 and 34. They have a job, they have soft skills, they have technical skills, but they are stuck in the job that they have but they have good habits. There are quite a number of folks who did not go on for any post-secondary schooling, so we are putting together a program called Realizing Opportunities for the American Dream to Succeed, and we are targeting this 25- to 34-year-old market, to bring them into a program, get them back into college, and get them on the fast track to a bigger career.

At WNC we have a program called Siemens Mechatronics, which brings together electronics, pneumatics, and automation. We have Level 1 and Level 2 training. We can bring a person into that program who is college-ready and move him from a $15-per-hour job to an $18-per-hour job—after going through both levels—and he will qualify for an $80,000-per-year job, and it does not take that long. We just need more bodies going through the program. This program is going to provide assistance to those families while they are going back to school. They still have to buy food and diapers. We are putting together a replenishable fund: working with our employers, working with the Department of Employment, Training and Rehabilitation, and working with other organizations at the federal level to go after a market that is really underserved right now. Never has there been a better time in our state's history for upscaling of labor. That brings a lot to our economy, but more importantly, to our families.

Railroads are a big area for us [page 10]. We are working closely with the Nevada Department of Transportation (NDOT), looking at the feasibility of improving our rail systems, particularly our freight rail system. Why is this important? Trains are the most efficient way of transporting freight over land. Moving one ton of cargo 479 miles happens on a single gallon of fuel in a train. In 2014 it would have taken approximately 2.6 million additional trucks to handle the 47.1 million tons of freight that originated in, terminated in, or moved through Nevada by rail. Our highways simply could not have handled that kind of a load. We are very happy to work with Union Pacific Railroad and BNSF [Burlington Northern and Santa Fe Railway] in looking at what the feasibility is of increasing rail freight in Nevada.

We recently welcomed the 100th company we have helped since 2010—Black Gold Terminals: Northern Nevada to Fernley. They are a shortline operator that came out of Texas. They have all the load and lift capacity, which is a really important piece of the whole rail infrastructure. We are going to spend a lot of time working on rail with NDOT.

Where do we go from here with rail? We want to look at Fernley as a multimodal possibility. Will that work? I think it will, but we are going to prove that with a feasibility study, working with NDOT. It goes a lot further than that, though. With the shortline rails, if you look at what is going on, and could go on in Silver Springs, Wabuska, or Hawthorne, running that line is something we are going to be working on with NDOT. There is dismantled and abandoned rail that goes all the way from Hawthorne down to Interstate 15. Those right-of-ways still exist. We are looking at a multiyear program with NDOT to find out how we can bring rails to the rural communities of Nevada. There are mines that cannot operate because they do not have it. There are agriculture programs that are just not efficient without rail. We are very fortunate to have NDOT, the Class 1 rails, and the shortline rails working with us on these things. Page 11 has a lot of facts about freight rail you can read through later.

Money matters are on page 12 [(Exhibit M)]. Because of the rural nature of the region we work with, one of the things we do is bring available capital to businesses. The state business and workforce incentives are critical to us. One size fits all in our state will not work. To incentivize companies to go to Wabuska, they need incentives to get going. We just met this morning with a company that is moving into Wabuska—recycling is a very cool business. We also have other tools, like the U.S. Department of Housing and Urban Development Community Development Block Grants that GOED administers. We are proud to have a bank and finance committee. We have all the major banks and community banks on that committee. We work very hard to put finance packages in front of companies and start-ups. We work closely with Business Network International on the private activity bond program and we have had very good success with the Small Business Administration and United States Department of Agriculture (USDA) guaranteed loan programs. Given the rural nature of what we work with, so many times we have clients who show up and really do not have a completed business plan. They do not have the ability to get funded. Through the USDA and loan guaranteeing, we will sit down and help them write that plan, and then walk them through to the lender to make sure they get into business and stay in business.

Another area for us are the Sierra Region Opportunity Zones [page 13, (Exhibit M)]. We have four really good opportunity zones in our region: Silver Springs and Stagecoach, all of Storey County, a very critical one here in Carson City, and then most of Fernley in Lyon County. It is great to have the opportunity zones designated. The tax incentives are really great, but you must have a fund put together to take advantage of it. That is where our focus is right now. We are working with a group to put together an opportunity zone fund, really looking at rural America. We are looking at conservation as a driver of an economics program. You will hear more about that as we move forward.

Our business development is working really well [page 14]. We mentioned Black Gold Terminals: Northern Nevada earlier being our 100th company we assisted since 2010. We have 32 active projects which we think are highly probable. A question was asked earlier, how do you go out and find these companies? We go on recruitment trips. We work closely with NV Energy. We go out and knock on doors. We use consultants to set up meetings. Our phone is ringing more than we can go out and knock on doors just to keep up with everyone. The demand is high right now.

We are working with three companies on expansion right now. Keeping the way we do things, our commercial real estate committee is really great. Given the limited staff we have—there are only six of us—we really depend upon the local community to be volunteers and help us move economic development together.

Expanding industrial space is a big deal for us right now [page 15]. We need more buildings. Not only do we need more buildings, we have to get the land ready for those buildings to be built. A number of years ago we sought and received an EPA Brownfields Grant. We have now had three grant awards. At the end of these three grant awards, we will have put $1.8 million back into the ground. What it pays for is when you have a site that has had previous activity on it, the EPA [United States Environmental Protection Agency] Brownfields Grant pays for the environmental studies that are done there—Phase 1 and Phase 2. It also allows us to write up a reuse plan as to what the best use of that piece of dirt would be. It is putting money right back into the ground, about $1.8 million so far that we will have put in with the grants. We have accounted for a high percentage of the total sites assessed in the country for the EPA. They are very happy with us.

This has led to a second program [page 16], our Sierra Region Certified Site Program. We were asked by GOED a few years ago to put this program together—our construction and design committee. Much thanks goes to the Nevada Builders Alliance for all of its input. The short version of this is we go in and do all of the preplanning on a site. We look at where all the utilities are, do the environmental studies, and get the preplanning done with the county. We end up with a stack of paper that sometimes is about one foot thick for some of these sites. When we get a request for information from GOED, we have a packet to hand right over. It works out really well. It saves a lot of money and reduces costs for the companies looking. We take away their scheduling risk to a large degree and give them all the due diligence that they would have had to spend a lot of time and money to look at.

We are very happy with this. We have five certified sites right now. Reno-Carson Lumber moved onto one of the sites, which was one of the small companies. Polaris Industries—a Fortune 500 company—is building a 475,000-square-foot distribution center in Fernley. Having this certified site packet to hand to them made our work with them a whole lot easier. I think one of the biggest jobs the RDAs have in what we do is keeping everyone playing on the same field [page 17, (Exhibit M)]. If you think about it, particularly in our region we have four counties and each county's board of commissioners has a different idea of where they are headed. We have the business community. We have state officials and we have federal officials. We are in that kind of middle hot seat in which we try to get a unity of action to an end. We have events. We do awards programs. We have a lot of things we do to bring people together and network, keeping everyone moving in the same direction.

We are going to continue to focus on this strategic wheel [page 18]. This wheel has given us the ability for our board and various committees to really focus on our strategic plan. The other thing we are really hard at work on right now is exploring innovative ways to spur and encourage rural entrepreneurship. When you look at some of our rural communities, there is no building. A lot of times there is not any natural gas. This is very different than what you would find in a metro region. One of the top things we can do is support rural entrepreneurship, where small companies are born that grow into larger companies. There is a lot of work going into that, and that is where we are looking at the conservation economics as a driver. We will be working with NDOT, Lyon County, and Fernley on the whole multimodal program and rail program. Those are three things we are really focused on as we move forward.

Our magazines are in the NNDA package (Exhibit L). There are a lot of articles in there that you can read. One was written by Bob Potts, who is with us today, about demystifying economic impact [pages 45 through 47]. There is a lot of useful information for you to look at in the package.

We do measure success by the number of jobs created and the overall economic impact, but in addition to that, we also consider how we are lifting up families. Economic development is not about what is in it for me. It is about what is in it for our children, grandchildren, and the future of our communities. That is where our focus is. We have great partners in the faith-based communities, in our schools, to try to lift up the whole region as much as we possibly can. We are the front line for economic development. We are very happy to have the partnership with GOED, a great leadership group to work with, and are very happy to have collaborative relationships with our other RDAs. We are able to refer business from Las Vegas to Reno and vice versa. I can assure you that your economic development team in the state of Nevada is doing extremely well and the future is bright. I am happy to answer any questions.

Assemblywoman Cohen:
You mentioned aerospace. Could you talk more about the aerospace industry in the area?

Robert Hooper:
We have some good aviation-type companies here. We have Click Bond, which has a patented device that holds together the fuselages of almost every plane that flies. Cristek Interconnects, Inc., in Douglas County makes connectors. We have the turbine companies and the metal crafters. From a manufacturing point of view, we have a lot of aviation business. Because of our posture on the way we are treating spare parts in the state, that is helping attract some of the avionics-type business. The Silver Springs Airport has a company planning to build a 30,000-square-foot hangar and move King Air from private to military use. The Minden-Tahoe Airport has had a lot of requests for aviation businesses to move in around it. There are a lot of hangars there. I am meeting with the Carson City Airport manager in the next week to talk about how we could get scheduled service to Las Vegas. There is a lot of work in this area going on right now.

Assemblywoman Spiegel:
In the presentation from EDAWN, one of the challenges was housing in northern Nevada. As you are looking at freight lines, are you also looking at the potential for commuter rail, as that is something that could help alleviate housing challenges. As you are formulating economic development plans, are you starting to look at incorporating additional consideration for workforce housing and schools?

Robert Hooper:
Passenger rail is a part of the conversation with NDOT. I know that one of the most desired passenger rails would be from the Reno-Sparks area to the Tahoe Reno Industrial Center. There has been conversation about long-term planning for more passenger rail over from California. It would be great. The type of rail you run for passengers is very different from the rail used for freight. The investment is huge. It is a long-term proposition. We are talking about 100-year assets. The cost to lay rail right now is running about $2.5 million per mile. But we cannot just give up. We need to work on it and plan on it, and again, NDOT has a rail department and we are going after this in a big way.

As for the housing, that is also an issue. We are fortunate in the Sierra region that we have a lot of permitted homes under construction. We also have some good affordable housing programs. We have a ribbon-cutting next week in Dayton. Chicanos Por la Causa Nevada Inc. built a single-family home project there which is just fantastic. What we are missing, as Mr. Kazmierski said, is what I call the missing middle. If you make between $18 per hour and $80,000 per year, there is no inventory being built for you. Our multitenant vacancy rate is down around 0.14 percent. We have to find a way to stimulate that missing middle-class housing. It is just not being built right now. The cost of construction and the cost of labor are prohibitive, and developers are just not moving into that space. I see that as a real big issue for us as we move forward.

Chair Dondero Loop:
In these other smaller towns, such as Hawthorne, will this bring some additional jobs and support into their infrastructure, or will it just be the rail going through there?

Robert Hooper:
It would bring additional jobs. The Union Pacific Railroad line ends at Wabuska. The United States Army takes over the line from Wabuska to Hawthorne. If we had better scheduled service and better load and lift capacity with the shortline rails, you would see that stimulate jobs. I will use Nevada Copper, which is becoming very active, as an example. The world's largest copper concentration is underneath Yerington. They need rail to move that copper ore out of there, so that is going to create 1,200 jobs.

Chair Dondero Loop:
Are there any additional questions from the Committee members? [There were none.] We will move on to the Las Vegas Convention and Visitors Authority (LVCVA) and their discussion on the Convention Center and Raiders Stadium.

Steve Hill, Chief Executive Officer and President, Las Vegas Convention and Visitors Authority:
I know it has been a long day and while there are a number of pages in this presentation, I will try to move through them quickly. This is really a recap of the two primary projects from the 30th Special Session in 2016. I want to say that the legislation [Senate Bill 1 of the 30th Special Session] crafted during that session has been clear, concise, and very helpful in ensuring both of these projects have taken the path they were intended to take.

I put a project timeline on page 3 (Exhibit N). I think most of you are aware of the general timeline of the Las Vegas Stadium Project. The Southern Nevada Tourism Infrastructure Committee wrapped up its work in September 2016, there was a special session in 2016, the Las Vegas Stadium Authority Board was formed, and in March 2017 the National Football League (NFL) approved the relocation of the Oakland Raiders to Las Vegas. We broke ground in November 2017 [page 4] following the purchase of the land [May 2017].

In March 2018 all the documents were finalized [page 5], with the primary documents being a development agreement and lease agreement. There were actually 62 different documents in this transaction. The Stadium Authority Board is signatory to a little over half of those documents. Clark County is also very involved in the project [page 6]. In May 2018 we issued the bonds for the project.

That brings us to the last couple of months: the stadium is about one-third complete at this point [page 6]. They have reached over one million hours of work on the site. When we came to the Legislature in 2016, we said there would be 18,000 construction jobs. Those were one year's worth of construction jobs, so basically 2,000 hours. We anticipate there would be about 3.6 million hours of work on the project. In December 2018 they crossed that one-million-hour threshold. In January 2019 they broke ground for the practice facility in Henderson.

This is a brief depiction of the structure of the NFL Stadium Project [page 8]. The Las Vegas Stadium Authority had the responsibility to document this agreement. That included the primary documents—the development agreement, lease agreement, and other project documents.

The funding for the stadium is $750 million in public contributions, primarily through the bonds that were issued in May 2018, and the Raiders Las Vegas Stadium Events Company (StadCo) is investing $1.09 billion, for a total of $1.84 billion [page 9]. When we came to the Legislature in 2016 the projection was $1.9 billion. At that time the $1.9 billion projection included an estimate of $100 million for their practice facility, which is different than their training camp. The practice facility will be in Henderson. It is not a part of the Stadium Authority's responsibility, so it is not included in the $1.84 billion projection.

The Las Vegas Stadium Authority Board is composed of three members appointed by the Governor, three members appointed by the Clark County Commission, and one representative from UNLV. The seven members who are appointed by those bodies select two other members of the Las Vegas Stadium Authority Board [page 10]. This is a list of who currently is on that board [page 11, (Exhibit N)].

Page 12 has a more detailed list of the rules and responsibilities of the Stadium Authority Board—ensuring the public gets the benefit of the legislation approved in 2016. This is the overarching theme of the responsibility of the Stadium Authority.

Page 14 has a list of some of the benefits, but those benefits can be summarized in terms of the number of jobs that will be created in the community, and the fact that UNLV will have a stadium to play its home football games in. The Sam Boyd Stadium would have needed to be replaced at some point. This eliminates the need to do what was about a $580 million estimate of what that stadium replacement for UNLV would be. There is also tax revenue that is generated as a result of the events at the stadium.

When we modeled the stadium event summary, we modeled it with 46 events in mind [page 15]. Obviously, that will move somewhat over time. We think the number of events and number of attendees projected at these events is still on track. We projected roughly two million attendees at these 46 events. Of that we expected about 450,000 of those attendees to be coming to Las Vegas because of the event and the stadium. The math derived from that projection is based on those 450,000 people. It is not based on the other 1.5 million who either live in Las Vegas and are going to the event, or happen to be in Las Vegas as a visitor and would be going to the event. The economic impact and the jobs created, all the benefits I will show you shortly, were based on those 450,000 people.

The chart on page 16 shows 450,000 new annual visitors, and I think it was 1.96 million projected for those 46 events. It is expected that the events at the stadium, and the spinoff from those, will generate about $35 million in additional tax revenue. That is a relatively conservative estimate because not all the taxes that will be paid were included in that calculation. The modified business tax and commerce tax were not included. Everyone involved will pay those taxes, but it was not included in the estimate.

The 30th Special Session legislation created a two-tiered room tax stream to fund the entire effort, including the bonds. There was a primary gaming corridor created and is depicted on this map [page 18]. You see McCarran International Airport at the south end, under the shaded blue area, going up around the Convention Center in the north, and it runs up and down the Strip. There was a 25-mile radius that is called the "stadium district." What is not in the primary gaming corridor but is in the stadium district has a 0.50 percent room tax assessment [page 19].

Page 20 is a depiction of where the revenue has come from to date. As you can see, over 90 percent of the revenue has come from that primary gaming corridor and about $6 million has come from the rest of that stadium district. The recommendation that came out of the tourism infrastructure committee and the legislation required that when the bonds were issued there was a 1.5 times coverage ratio, which means that 50 percent more revenue is going to be collected than is projected to be needed to pay for the bonds. In rough numbers, with a $30 million annual bond payment, at 1.5 times coverage there would be $45 million collected in room tax in order to make that bond payment, and then there would be excess money. How that excess money is used is what is outlined on page 21. That excess money is generally talked about in bond circles as a "waterfall," so it pours over as buckets fill.

There is $2 million for the operation of the Stadium Authority. There is a contribution to a debt service reserve fund of $9 million per year until the entire debt service reserve that is required to be on hand is collected. There would be a payment to UNLV for any demonstrable loss as a result of closing Sam Boyd Stadium when the new stadium opens. There is a contribution to a capital and maintenance fund of $5 million per year. Any residual left over after that can be used for maintenance or capital improvement, or for the early defeasance of bonds.

Page 23 [(Exhibit N)] shows the public side of the funding through the bond issuance in May 2018. The sources for that funding are room tax revenue that was collected up until that time, and then bond proceeds of $742.7 million. That funded the $750 million necessary for stadium construction. It also funded the first year of debt service reserve. The legislation requires two full years of average debt service reserve, and that average is $45 million. The first year was generated and set aside during that bonding process. Interest that is collected on the $750 million that is in the bank and remains unspent on the project can be put toward that second year of debt service reserve, and then the $9 million per year that is eligible and required from the waterfall will go into that second year debt service reserve. We anticipate that there will be approximately three years needed in order to fund the full second year of the debt service reserve, and then that $9 million per year can be used for other purposes further down the waterfall.

The Raiders (StadCo) project funding source was a $600 million line of credit from Bank of America, a projected $290 million from the sale of personal seat licenses, and the NFL loan program that they call the G-4 program, which is $200 million [page 24]. They are right at $1.09 billion contributed to the project.

To date, and this is through the December payments, there has been $564.5 million spent on the project [page 25]. About 23 percent of that is public funding. The way the deal is structured, the Raiders were required to buy the land for the project and fund the first $100 million of construction on top of the cost of the land, basically so they would have skin in the game. It is proportionally split from there, until we get to the end and the public puts the last $50 million into the project.

I have already gone over the information on pages 27 and 28. As a part of the legislation there were really two aspects that both made their way into the community benefit plan for the stadium. The first is a small business enterprise requirement. It is a requirement of this project, as well as the LVCVA's expansion and renovation, that at least 15 percent of the contracted amounts on each project go to small local business enterprises [page 30]. All the good packages have been structured to do that. There has been a great deal of outreach in order to make that happen. Also, as a part of the legislation the Stadium Authority is required to make sure that the Raiders and StadCo have a community benefit plan in place. That plan is largely directed at employment at the stadium and inclusion in that employment process. Both of those have been very strong. To date $843.3 million of contracts have been awarded to enterprises on the stadium project [page 31, (Exhibit N)]. Approximately $160 million of that has been committed to small business enterprises. There is a 15 percent requirement and they are hitting a 19 percent number.

From a community benefits plan standpoint, there was a 38 percent minority and female work-hours goal [page 32]. That has been greatly exceeded. That number is 69.3 percent on the stadium. Where it says 69 percent "SBE participation to date," that is incorrect. It should read "minority and female work hours," not "participation."

The project is moving along very well and looks better than the photo shown on page 34. It is on time, on budget, and expected to receive a certificate of occupancy approximately 18 months from now in July 2020 [page 35]. We expect football to be played there around Labor Day weekend of 2020. As you might have read, the Raiders need that to happen and are very motivated to make that work. Just getting under construction is the Raiders headquarters and practice facility in Henderson [page 36]. I will pause here for questions.

Chair Dondero Loop:
Are there any questions from the Committee? [There were none.] Please proceed.

Steve Hill:
I will start with the benefits of the Las Vegas Convention Center District Project (Exhibit O). The framework for the analysis is similar [page 3]. We anticipate the expansion of the LVCVA's Convention Center will increase visitation by 610,000 people annually, and we anticipate there will be $49.2 million in new tax revenue generated as a result of that expansion.

I will go back to page 2 and explain what the expansion looks like for those who have not had the opportunity to see it. Along the right side of the screen is the current convention center. On the far right is the south hall, the central hall, and the north hall. As you move to the left, you have the angled hall that is the expansion hall, and what we are currently calling the west hall. It is a 600,000-square-foot expansion. The snow cone is the main entrance to that facility. Just to the left of that snow cone is 150,000 square feet of meeting space on three floors.

This project also has the Small Business Enterprise (SBE) requirement of 15 percent [page 5], a community benefit plan that Turner/Martin-Harris, the contractor on the project, has worked diligently to implement. This is just some information on their outreach and education program, helping to connect businesses in the community to the project. The results on this project have been similarly strong [page 6] with 19 percent of the contracts awarded to date with SBE firms and 52 percent of the workforce on the project minority workers.

Senate Bill 1 of the 30th Special Session created two revenue streams for this project: a 0.5 percent room tax in all of Clark County, and the ability for the LVCVA to retain any collection allowance in excess of $25 million per year. Prior to the 2016 Special Session, 10 percent of the room tax that was collected by the LVCVA was passed along to local governments in southern Nevada as a collection allowance. It was agreed that would be capped at $25 million, so it is currently generating about $4 million per year in excess collection allowance that we are allowed to keep and use to help fund this project [page 8]. The 0.5 percent room tax generated about $29 million in the last year [page 9]. Those two revenue streams are not enough to fund the entirety of this project.

The LVCVA came to the Southern Nevada Tourism Infrastructure Committee when I was not at LVCVA and said we have a $1.4 billion set of projects and we would like $1.25 billion in new funding. Through conversations with them over several months and the work of the Southern Nevada Tourism Infrastructure Committee, that funding request was reduced from $1.25 billion to about $525 million. The room tax and the excess collection allocation should generate somewhere between $525 million and $600 million over the course of this project. The rest of that funding must come from the LVCVA's general fund.

Basically, what the legislation said in 2016 was, we would like the $1.4 billion project; we think the expansion and the renovation of the facility is great; we understand that is what it is going to cost; we will give you $600 million in additional revenue; figure the rest out on your own. So, we are in the process of doing that. It works. We had identified that at the time.

From a funding standpoint for the expansion [page 11, (Exhibit O)], the original budget was $860 million. Once we concluded that effort, the revised budget that was approved by our board was $935 million. Some of that is just the additional cost of construction. A little bit of it is an increase of scope, and some of it was being responsible in working with the Clark County Commission and with our neighbors to mitigate some of the impact in the neighborhood. The renovation is still projected to be $540 million. The original budget for the entire project was $1.4 billion, and it has now increased to $1.475 billion.

As I talk about bonds, I need to provide a little bit of a disclaimer [page 13]. When I talk about bonds publicly, the bond market is kind of obligated to take that as communication in public to the bond markets. What I am going to talk about here is one possible path for bonding. It is in a range of potential outcomes for how we will complete the bonding for this project. We are about 60-percent bonded now. We have about 40 percent to go. We have bonded what is necessary for the expansion. We have not issued bonds for the renovation of the facility yet. We picked a point in what we thought was a relevant range to display to you how the bonding will roll out and what the projections of that will be, but those projections will move as the bond market moves over the next couple of years.

On page 13 you can see the top two bond tranches have been released and we have bonded $700 million to date. You can see the true interest cost of each of those bond issuances. One of the areas that we have been fortunate, and does allow that additional $75 million in our budget, is when we modeled this project we modeled it at 4.58 percent for the bonds. As you can see, we are probably at a blended rate right now of about 4.07 to 4.08 percent. The bonding that took place in these first two tranches is on the long end of the 30-year bond spectrum, so as we bond in the future we may be able to keep those interest rates down because we have room in the intermediate period for the bonds.

Page 14 shows the debt service of the LVCVA for our projects and as an example our contribution to Project Neon in Las Vegas. This is our annual debt service that we currently have, not including the expansion and renovation. Page 15 shows what one path of the projected debt service may be in combining the debt service for the new project in addition to the existing debt service that we have had. Page 16 shows the debt service for the expansion and renovation project, and page 17 is what I was pointing out earlier in terms of revenue sources available to pay that debt service. The additional revenue that was provided to the LVCVA for this project in the 2016 Special Session is in blue. That is the room tax revenue and the additional collection allowance. That should grow over time, but in order to make all the payments we need to contribute from our general fund in order to do so. As the room tax increases, that amount should shrink. We talked about the covered ratio on the bonds for the stadium. Those are necessary because the stadium debt has only one revenue source for repayment. So you need to make sure they are safe, you need to make sure that revenue source is enough to make the bond payments, and it most certainly is. With the LVCVA, on the other hand, the coverage really comes from our general fund. The bonds will absolutely be paid. What we would have to do is reduce the other activities of the LVCVA in order to make those bond payments if it became necessary in order to do so, and it is certainly what we would do.

We are making good progress on the expansion [page 18, (Exhibit O)]. On the far side is where the new exhibition hall will be. Where you see the cranes and the columns, those are columns for the meeting room block. That will be a three-story facility. This picture was taken two weeks ago. The first floor is basically done at this point. We are on to the second floor of the meeting room block now. We will get that structurally framed and then move on to framing of the exhibition hall.

We expect to be complete by December 2020. We are contracted with the Consumer Electronics Show in 2021, so we will meet that deadline. Once the new hall is open, we will take down the current facility in five phases. The north hall remodel will be complete about six months after the new facility is opened. The central hall will be done about nine months after that. The south hall is split into two floors and will be done in two phases. That will take a little more time. About 15 months after we complete the north hall, the south hall, and therefore the entire project, will be complete. I am happy to answer any questions the Committee may have.

Chair Neal:
You mentioned if the revenue does not come in, the LVCVA will have to reduce certain activities. What activities would you have to reduce?

Steve Hill:
We bring in roughly $350 million annually; $60 million of that is transferred for the current debt service we have, and $25 million of that is transferred to local governments in the collection allowance. We are going to have to make a contribution for some period of time of about $50 million per year. When you get done with that calculation, we have about $215 million left. We spend about two-thirds of that in various aspects of marketing. That is where we have the most flexibility. It costs us about $40 million per year just to operate the Convention Center, let alone own it and do capital maintenance. That amount would be very difficult to reduce. We are still going to have the shows there. We are still going to have to operate that Convention Center. We would end up needing to reduce marketing in some way, shape, or form in order to make those payments.

Chair Dondero Loop:
Are there other questions from the Committee? [There were none.] We will now go to public comment.

J. Kyle Dalpe, Interim Executive Director of Legislative Affairs, Nevada System of Higher Education:
I speak in support of GOED and the presentations we heard earlier. The Nevada System of Higher Education (NSHE) and its institutions have worked with GOED since its creation on a variety of initiatives. Their office works to support and expand economic development in the state, defining strategic direction that is then picked up by the regional economic development entities you heard from today. When companies plan to relocate to Nevada and expand here, they want to know if there is a trained workforce, and/or a way to conduct research for the emerging economic sectors. To meet these needs, NSHE has developed and implemented training programs and research opportunities. These initiatives are to the benefit of employers, but more important to the students who complete programs and secure good jobs in our state. Our community colleges have accessed the Workforce Innovations for a New Nevada funding to train students for jobs and to build state-of-the-art facilities. Our universities, state college, and research institutions have access to the Knowledge Fund to support research statewide. In addition, many NSHE presidents and others from our institutions serve on workforce development boards, helping guide and support strategic decisions. We look forward to continuing our work to train Nevadans across the state, to conduct research and appreciate the support of GOED and the resources available to make this work happen.

Glenn C. Christenson, Member, Board of Directors, Las Vegas Global Economic Alliance:
I am Chairman Emeritus of LVGEA, Chairman of our policy committee, and have served on the board for 18 years. I am the longest-serving chairman of the LVGEA. I am here today representing our board of directors. Early in my tenure as a member of the board, in 2005 I was the chief financial officer of Station Casinos. I would go out and talk to people on Wall Street and tell them Las Vegas is a great place to invest. Southern Nevada had led the country in growth in the prior 20 years and everything looked great. Four years later, when I took over as chairman in 2009, we were in the depths of the worst recession we had ever seen. I saw leaders in our community pointing fingers at each other, asking why we did not have a more robust economy and why were we not more diversified.

I hope you agree with our board of directors that now is not the time to take our foot off the economic development accelerator. In 2012 we evolved from the old Nevada Development Authority into what is now the LVGEA, and we decided to take a different, more collaborative, and holistic approach to economic development. I think our board reflects that, as we have 50 members from the education, public, and private sectors on our board. Each one of them is paid $25,000 for the opportunity to serve on our board. The holistic approach we are taking to economic development includes a very real interest, and I think we are seen as leaders in the business community and making efforts to improve our education system from prekindergarten through age 20. We do that because we believe education and economic development are inextricably linked.

We also believe that economic development is also community development. If we do a better job of economic development, having a more robust economy, we can do a much better job in terms of education, health care, infrastructure, and social services. Mr. Peterson has reviewed our successes over the last six years. I hope you agree with the board of directors that you are getting a good return on your investment.

Chair Dondero Loop:
Is there additional public comment? [There was none.] We are adjourned [at 7:17 p.m.].

RESPECTFULLY SUBMITTED:

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Gina Hall
Assembly Transcribing Secretary

APPROVED BY:

____
Assemblywoman Dina Neal, Chair

DATE: ____________________________

EXHIBITS

Exhibit A is the Agenda.

Exhibit B is the Attendance Roster.

Exhibit C is a copy of a PowerPoint presentation titled "Presentation to the Joint Senate Revenue and Economic Development and Assembly Taxation Committees," presented by Derek Armstrong, Deputy Director, Southern Nevada, Office of Economic Development, Office of the Governor.

Exhibit D is a document titled "Tesla Gigafactory Economic Impact Summary 2015-2018," dated December 5, 2018, presented by Derek Armstrong, Deputy Director, Southern Nevada, Office of Economic Development, Office of the Governor.

Exhibit E is a document titled "2019 Biennial Report, Workforce Innovations for a New Nevada," presented by Matthew P. Moore, Deputy Director, Office of Economic Development, Office of the Governor.

Exhibit F is a document titled "Nevada's Knowledge Fund, Driving Innovation and Commercialization," presented by Matthew P. Moore, Deputy Director, Office of Economic Development, Office of the Governor.

Exhibit G is a document titled, "RE: GOED Biennial Report to Legislature of Abatements from Taxation Pursuant to NRS 231.0685," dated January 15, 2019, presented by Derek Armstrong, Deputy Director, Southern Nevada, Office of Economic Development, Office of the Governor.

Exhibit H is a copy of a PowerPoint presentation titled "Las Vegas Global Economic Alliance Progress Report," dated February 12, 2019, presented by Jonas R. Peterson, President and Chief Executive Officer, Las Vegas Global Economic Alliance.

Exhibit I is a copy of a document titled, "Workforce Blueprint, Southern Nevada, Las Vegas Global Economic Alliance," dated November 2017, submitted by Jonas R. Peterson, President and Chief Executive Officer, Las Vegas Global Economic Alliance.

Exhibit J is a copy of a document titled, "2021 Southern Nevada Target Industry Validation Study," dated March 2017, submitted by Jonas R. Peterson, President and Chief Executive Officer, Las Vegas Global Economic Alliance.

Exhibit K is a copy of a PowerPoint presentation titled, "EDAWN Update," dated February 12, 2019, presented by Mike Kazmierski, President and Chief Executive Officer, Economic Development Authority of Western Nevada.

Exhibit L is material submitted by Robert C. Hooper, President and Chief Executive Officer, Northern Nevada Development Authority, consisting of the following:

1. *Viewpoint* Winter 2018 Edition magazine.
2. *Nevada Appeal* article titled, "Officials expect another strong year of growth," by Anne Knowles, dated Saturday, January 26, 2019.
3. *Nevada Appeal* article titled, "Make deals in the real world," by Geoff Dornan, dated July 28-31, 2018.
4. Economic Perspectives, Volume 134, dated November 2018.
5. Economic Perspectives, Volume 131, dated August 2018.
6. Economic Perspectives, Volume 127, dated December 2017.
7. Economic Perspectives, Volume 135, dated December 2018.
8. *Viewpoint* Summer 2018 Edition magazine.
9. Strategic Focus Wheel, Northern Nevada Development Authority.
10. Northern Nevada Development Authority Fact Sheet.
11. Northern Nevada Development Authority News Release titled, "Polaris Industries Purchasing Part of Nevada Certified Site for New Distribution Center in Fernley, NV," dated June 27, 2018.
12. Polaris Investor Relations document titled, "Polaris Announces New Distribution Center in Nevada," dated June 21, 2018.
13. Northern Nevada Development Authority News Release titled, "Ribbon Cutting for New Locomotive Black Gold Terminals Northern Nevada at Northern Nevada Railport and Logistics Center," dated August 7, 2018.
14. Northern Nevada Development Authority News Release titled, "NNDA Announces 2018 Pioneer Awards Winners," dated September 19, 2018.

Exhibit M is a copy of a PowerPoint presentation titled, "Economic Development for Nevada's Sierra Region," dated February 12, 2019, presented by Robert C. Hooper, President and Chief Executive Officer, Northern Nevada Development Authority.

Exhibit N is a copy of a PowerPoint presentation titled, "Las Vegas Stadium Project, 2019 Legislature Update," presented by Steve Hill, Chief Executive Officer and President, Las Vegas Convention and Visitors Authority.

Exhibit O is a copy of a PowerPoint presentation titled, "Las Vegas Convention Center District Project, 2019 Legislature Update," presented by Steve Hill, Chief Executive Officer and President, Las Vegas Convention and Visitors Authority.