

**MINUTES OF THE MEETING OF THE  
ASSEMBLY COMMITTEE ON WAYS AND MEANS  
AND  
SENATE COMMITTEE ON FINANCE  
SUBCOMMITTEES ON K-12/HIGHER EDUCATION/CIP**

**Eighty-Second Session  
April 5, 2023**

The joint meeting of the Assembly Committee on Ways and Means and Senate Committee on Finance Subcommittees on K-12/Higher Education/CIP was called to order by Chair Shea Backus at 8:05 a.m. on Wednesday, April 5, 2023, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4412 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/82nd2023](http://www.leg.state.nv.us/App/NELIS/REL/82nd2023).

**ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:**

Assemblywoman Shea Backus, Chair  
Assemblywoman Sandra Jauregui, Vice Chair  
Assemblywoman Heidi Kasama  
Assemblyman Cameron (C.H.) Miller  
Assemblyman P.K. O'Neill  
Assemblywoman Sarah Peters  
Assemblyman Steve Yeager

**SENATE SUBCOMMITTEE MEMBERS PRESENT:**

Senator Marilyn Dondero Loop, Chair  
Senator Nicole J. Cannizzaro  
Senator Dina Neal  
Senator Heidi Seevers Gansert  
Senator Robin L. Titus

**SUBCOMMITTEE MEMBERS ABSENT:**

Assemblywoman Daniele Monroe-Moreno (excused)

**GUEST LEGISLATORS PRESENT:**

None



Assembly Committee on Ways and Means  
Senate Committee on Finance  
Subcommittees on K-12/Higher Education/CIP  
April 5, 2023  
Page 2

**STAFF MEMBERS PRESENT:**

Wayne Thorley, Senate Fiscal Analyst  
Brody Leiser, Assembly Chief Principal Deputy Fiscal Analyst  
Julie Waller, Principal Program Analyst  
Janice Wright, Committee Secretary  
Janet Osalvo, Committee Assistant

**OTHERS PRESENT:**

Kent A. LeFevre, Administrator, State Public Works Division, Department of Administration  
Kirsten Nalley, P.E., S.E., Deputy Administrator, State Public Works Division, Department of Administration  
Myron Freedman, Administrator, Division of Museums and History, Department of Tourism and Cultural Affairs  
Stacey Montooth, Executive Director, Nevada Indian Commission  
Brian Wacker, P.E., Chief of Planning, State Public Works Division, Department of Administration  
Ralph A. Wagner, P.E., Chief Engineer, Department of Corrections  
Alan Jenne, Director, Department of Wildlife  
Matthew Tuma, Deputy Director, Department of Administration  
Jack Robb, Director, Department of Administration  
Megan Peterson, Deputy Superintendent, Student Investment Division, Department of Education

**Chair Backus:**

[Roll was called, and the Subcommittees' rules and protocols were explained.] We are going to take today's agenda items out of order, starting with the Department of Tourism and Cultural Affairs, moving to the Department of Corrections, and then the Department of Wildlife. We will conclude with the Department of Administration because I understand we have some amendments for that agency.

**CAPITAL IMPROVEMENT PROJECTS**

**DEPARTMENT OF TOURISM AND CULTURAL AFFAIRS**

**Kent A. LeFevre, Administrator, State Public Works Division, Department of Administration:**

Joining me today from the State Public Works Division, Department of Administration is Kirsten Nalley, P.E., S.E., Deputy Administrator, and Brian Wacker, P.E., Chief of Planning. Please turn to page 55 of the presentation [[Exhibit C](#)]. I will turn the microphone over to

Kirsten Nalley for the presentation of the Department of Tourism and Cultural Affairs projects.

**Kirsten Nalley, P.E., S.E., Deputy Administrator, State Public Works Division,  
Department of Administration:**

I will present the projects for the Department of Tourism and Cultural Affairs. Project 23-C12 is a remodel of the freight barn located in Ely, Nevada, at the East Ely Railroad Museum. This project will remodel the freight barn building into a year-round events center. Improvements to the building will include a fire sprinkler system; heating, ventilation, and air conditioning (HVAC) modifications; and structural and architectural modifications. The project budget is \$7.7 million and is state funded.

Project 23-C20 is a visitor center located in Boulder City at one of the major intersections in the city. The proposed visitor center will be about a mile from the existing Nevada State Railroad Museum at the east end of the railroad museum complex. Page 59 [\[Exhibit C\]](#) shows a rendering of the site. The project will construct a 9,700 square foot visitor center, an orientation plaza, train loading platforms, and parking. The project budget is \$23.3 million and is state funded through conservation bonds that were part of Assembly Bill 84 of the 80th Session.

The Department of Tourism and Cultural Affairs has seven maintenance projects in the Capital Improvement Program. I will present each of these briefly, and if the Subcommittees need further detail, we can go over each of these individually. Project 23-M05 is life safety, security, and lighting replacement at the Nevada State Museum in Carson City. Project 23-M10 will upgrade security, fire and life safety, and electrical systems at the Nevada Historical Society. Project 23-M16 is the building seismic retrofit and envelope maintenance at the Nevada Historical Society. Project 23-M19 will repair the freight elevator at the Nevada State Museum in Las Vegas. Project 23-M20 is the depot building foundation stabilization at the East Ely Railroad Museum. Project 23-M42 will upgrade heating and air conditioning at the Marjorie Russell Clothing and Textile Research Center. Project 23-M43 is the HVAC system renovation at the Indian Hills Curatorial Center.

The final project is located on page 76 [\[Exhibit C\]](#). Project 23-P09 is advance planning of the Old Gym building located at the Stewart Indian School Cultural Center and Museum, which is on the south side of Carson City. This project will design the seismic stabilization and rehabilitation of the Old Gym, which is building number 20. The project budget is \$2 million and is state funded. That concludes the presentation of the projects for the Department of Tourism and Cultural Affairs. I will now pause to address any questions you may have.

**Senator Titus:**

I appreciate you watching out for the history of Nevada, as I am passionate about it myself. My questions revolve around the Ely Railroad Depot. I am wondering about the extent and

the scope of Project 23-C12 and the budget of \$7.7 million. Is that going to complete everything that you need done? I understand there are some other structural problems including earthquake stabilization. Is that the full scope of renovating that building and completing the project?

**Kirsten Nalley:**

Yes, that is the full scope of that project.

**Senator Titus:**

Do you have an estimate of when you would start that project?

**Kent A. LeFevre:**

The design would start in October of this year. The construction would start in about another year and a half.

**Senator Titus:**

When you say design, you have not designed it yet. Has it gone out to bid? How do you know that is adequate funding?

**Kirsten Nalley:**

We are currently designing this project and anticipate being finished with construction documents this summer. Then we will go out to bid, and construction will begin after that.

**Senator Titus:**

If you are just designing and it has not gone out to bid, how do you know that the \$7.7 million is going to be enough for the project?

**Kent A. LeFevre:**

At the conclusion of the design, we receive cost estimates from the design professionals that give us a good idea about where we stand with the budget. We feel confident that we will be able to move forward with this project.

**Assemblywoman Peters:**

How is the freight barn building currently used in conjunction with the East Ely Railroad Museum?

**Myron Freedman, Administrator, Division of Museums and History, Department of Tourism and Cultural Affairs:**

The museum is two buildings. It is the depot and the freight building. The freight building is used as an interpretive center. It has historical features that are shared with visitors and specifically with tour groups. It is also used to host events, whether they are events put on by the museum or community groups using it for their events. They can rent the building, but right now, it is only rented seasonally. The building is not insulated and lacks fire

suppression. Ely's weather only allows use of the building for a good third to half of the year, depending on the weather. But it is used as any other museum would use its historic assets. It is used to interpret the history of the railroad and the history of Ely. If you are not familiar with the freight building, it is really a phenomenal historic asset that the state owns. This is the oldest building on the property. It is called the freight building because it is a great big shed. Going back to 1905, the train would bring in the goods for the community and the mining operations. They would unload the goods into the building, and the various businesses in the area sectioned off parts of the freight building. Going all the way back to the early 1900s, businessmen wrote on the walls whose section that was. You can walk through that building and see the business history of Ely etched on the walls of this building. It is really a phenomenal historic structure.

**Assemblyman Miller:**

My questions are about the Boulder City Railroad Museum. With a new 9,700 square foot visitor center, how would the impact of additional visitors and tourists to the area be addressed as it relates to increased traffic and road congestion?

**Myron Freedman:**

If you are you asking about the impact to the community in terms of congestion, I am not sure I can answer that. That might be a better question for our city partners. There will be parking that is part of the planning for this project, and several parking lots are included in the grand plan for that site. But for this immediate project, we will plan parking next to the building. They have created several access points to get traffic off the road. Right now, there is only one access point at the east end of the property. But as we develop this project, there will be additional access points into the property. Traffic will be able to get off the road more easily.

**Assemblyman Miller:**

I am curious about the development and planning process. I understand there has already been an increase in traffic, and this museum may further increase the traffic to the area. Do we not have to do a traffic study within the planning process to understand how the traffic would flow? I imagine during the development of the site, how the traffic would flow in and out of the site and how that would impact the community should be considered. If you do not have that information now, it would be helpful if you would provide that information. The Subcommittees would like a better understanding of the traffic flow or similar analysis in the planning phase.

**Kent A. LeFevre:**

The project is currently in design, so we will get back to you on the question of whether a traffic study is needed or not.

**Senator Dondero Loop:**

If Senate Bill 186 passes, what might be needed moving forward? That bill refers to the East Ely Depot and Freight Barn.

**Myron Freedman:**

If Senate Bill 186 passes, I imagine we will cease the freight building project, and we will focus on other things.

**Senator Dondero Loop:**

I know that has been a long discussion. I can tell you I have spent time in Ely. I get that this all comes with its nuances. There are agreements or ways to work around all this so that we have some preserved history, and we have those involved who are helping us preserve that history.

**Assemblywoman Jauregui:**

I have some questions regarding the Old Gym building. Could you give us more details? I pass by that building every morning on my way to this building, and I would love to get some more details on the planned rehabilitation of the Old Gym. I would like details on how long you think the project will take; when you will start if the planning project is approved; and any updates on whether we are going to be designated as a national historic landmark.

**Kirsten Nalley:**

Currently, the Old Gym requires an interior remodel renovation, and it needs the completion of some seismic upgrades. The agency would need to explain what they would like to see happen as the building renovation moves forward and the various uses for the building.

**Stacey Montooth, Executive Director, Nevada Indian Commission:**

Specific to our Old Gym, the former Stewart Indian Boarding School includes 69 rock buildings that were physically built by our former students. When surveying families, sometimes we call them alumni, we often find that those elders who attended Stewart have great recollections and good memories of the Old Gym. It is also noteworthy that the restoration of that gymnasium would be very practical. Currently, there is no available public meeting space that will accommodate more than 50 people at the site. Having this building safe and coordinated by the Nevada Indian Commission would be of value to our supplemental programming and ancillary events, including everything from formal meetings to our cultural and social events, powwows, lectures, and demonstrations. The Nevada Indian Commission's California counterpart will be visiting our campus and bringing 100 people not just to tour but for a formal meeting. We are struggling because we are going to end up with folding chairs in our gymnasium that has poor acoustics to accommodate that group.

**Assemblywoman Jauregui:**

I have several questions: if the plan is approved, when will construction start; what will be included; what is the projected cost; and when is the projected completion date? Also, do you have any updates on the national historic landmark process?

**Kent A. LeFevre:**

I will answer those questions. If this project is approved, we will begin the planning phase, which usually takes about a year and a half to fully vet what needs to be done and will work with the State Office of Historic Preservation, stakeholders, and end users on how things are going to look. The construction project is anticipated to cost approximately \$25 million. We would be asking for that funding in the 83rd Legislative Session.

**Assemblywoman Jauregui:**

Do you have any idea on when the designation of the National Historic Landmark will be issued?

**Stacey Montooth:**

Unfortunately, no. I can tell you that my predecessor had begun that process three years before I started, and I am bearing down on my third year. Between the pandemic, finding the correct resource within the federal agencies to help with that application, experiencing a couple of retirements, and many other reasons, the project continues to be delayed. I update our commissioners on a quarterly basis about that. I am sorry I do not have better information for you.

**Chair Backus:**

We will move from the Department of Tourism and Cultural Affairs to the Department of Corrections.

**DEPARTMENT OF CORRECTIONS**

**Brian Wacker, P.E., Chief of Planning, State Public Works Division, Department of Administration:**

I am going to present the Department of Corrections projects. The first one is Capital Improvement Program (CIP) Project 23-C14 for the communications room expansion at the Southern Desert Correctional Center. This facility is about 38 miles north of Las Vegas on U.S. Highway 95. On page 79 [\[Exhibit C\]](#), there are three correctional facilities at the site. Southern Desert Correctional Center is closest to the highway. This project expands the communications room that is no longer large enough to support the communications equipment needed by Southern Desert Correctional Center. The heating, ventilation, and air conditioning (HVAC) equipment is also included in this project to support equipment cooling needs. The project cost is \$1 million of state funding.

Project 23-C34 is the demolition of the Silver Springs Conservation Camp. As a reminder, this is a new project added to the CIP recommendation per the Governor. This facility is located about 30 miles east of Carson City and just south of Highway 50 as shown on page 81. This site has been closed since 2010, and this project will demolish and return the site to a predevelopment condition. The project cost is \$2.9 million of state funding.

The Department of Corrections has 17 maintenance projects in the CIP recommendation. I will go over each of these projects briefly, and we can go into further detail as needed. The first project on page 83 is 23-M04 to replace cell doors, locks, and security glazing in housing units 1, 5, and 6 at Southern Desert Correctional Center. Inmates have recently disabled these locks, which compromised security and safety at Southern Desert Correctional Center. The State Public Works Division would typically split this into smaller projects. We feel it is critical to move ahead with the entire \$21 million project in the CIP to address the immediate and critical needs of Southern Desert Correctional Center.

Project 23-M08, Project 23-M13, and Project 23-M14 are to install security cameras at High Desert State Prison, Northern Nevada Correctional Center, and Lovelock Correctional Center. Project 23-M17 replaces an aging communications network with fiber optic backbone at Southern Desert Correctional Center. Project 23-M24 replaces boiler equipment at Northern Nevada Correctional Center's regional medical facility. Project 23-M26 replaces chilled and hot water piping in several buildings at Lovelock Correctional Center. Project 23-M27 replaces rooftop HVAC units at Warm Springs Correctional Center. Project 23-M29 upgrades the electrical service to housing units 11 and 12 at Southern Desert Correctional Center.

Project 23-M32 is the continuation of Project 21-P07 and improves the wastewater system at Lovelock Correctional Center. Project 23-M35 replaces the temperature control system at Lovelock Correctional Center. Project 23-M38 replaces plumbing in the culinary building at Ely State Prison.

The last maintenance projects are on page 84 [\[Exhibit C\]](#). Project 23-M40 installs a water control system at High Desert State Prison. Project 23-M41 constructs 18 recreation cages at Northern Nevada Correctional Center. Project 23-M44 upgrades the perimeter security fence at Southern Desert Correctional Center. For the Subcommittees' information, the scope of this project will be revised from constructing a physical fence to the installation of a lethal/nonlethal electrical fence at the request of the Department of Corrections. The budget remains the same with that change. Project 23-M48 replaces fixtures with water control renovations at Lovelock Correctional Center. Project 23-M49 will install security cameras at Ely State Prison. These 17 projects total approximately \$87 million of state funding.

With that, we will skip the further detail on these projects and move to page 119 [\[Exhibit C\]](#). Project 23-P08 is the advance planning for underground piping replacement at High Desert State Prison. This is the same map you saw previously. But notice here that



High Desert State Prison is located at the west end of the site and is the farthest from U.S. Highway 95. This project provides the design to replace underground chilled and heating water pipes at High Desert State Prison. This piping is original to the facility and needs replacement. The project cost is \$2.4 million of state funding. With that, I will pause for questions.

**Chair Backus:**

It was shocking as I was reading in my materials that we are losing about 5,000 gallons a day from the underground piping. Are there any intermediary repairs that could be performed to reduce the liquid leakage rate until we are able to do the future construction project?

**Ralph A. Wagner, P.E., Chief Engineer, Department of Corrections:**

Leaks in a 23-year-old facility are common. When they manifest themselves near the surface, we can fix them. The leaks that we believe are the main contributor to the 5,000 gallons per day loss are multiple minor leaks in piping at 6 to 12 feet under the ground. We have been unable to determine the exact locations and lack the resources to repair those. When we can repair them, we do. At Lovelock Correctional Center, we had the same situation of multiple leaks throughout the piping, and we had to do the planning and the construction of a hot- and cold-water loop.

**Senator Dondero Loop:**

In Project 23-M04, you are replacing cell doors, locks, security glazing, and installing security gates at Southern Desert Correctional Center. I thought that was already in place at the prison, and it is the same with Project 23-M44 to upgrade perimeter security fences. I know we have had issues at that prison. Are those things not already there?

**Ralph A. Wagner:**

That facility is dated. My understanding is when it was built, those doors and locks could be easily defeated. They were substandard then more so than in other facilities. There is certainly a need for better security, demonstrated by the ability of the offenders to breach it. There is a consensus within the Department that security is a high priority. At one time it was down the list, and we moved this right to the top.

**Senator Dondero Loop:**

This is interesting to me because if I lock myself out of my house, I cannot get in. We have criminals whom we have locked in somewhere who can get out. We are trying to keep them secure from each other as well. I find it interesting that it has taken a breach in security to make this happen.

**Chair Backus:**

Do we have any other questions on the Department of Corrections' CIP from any members of the Subcommittees? [There were none.] With that, we will move to the Department of Wildlife.

## **DEPARTMENT OF WILDLIFE**

### **Brian Wacker, P.E., Chief of Planning, State Public Works Division, Department of Administration:**

The Department of Wildlife will start on page 121 [[Exhibit C](#)] and consists of one project. Project 23-M06 is at the Gallagher Fish Hatchery, which is located on the east slope of the Ruby Mountains about an hour south of Elko as shown on this map on page 122. This project will provide structural and architectural repairs at the building. This building was constructed in 1966 and has deteriorated due to the moisture-laden environment that comes with the fish hatchery process. The project cost is \$3 million and is state funded. With that, I will pause for questions.

### **Senator Titus:**

Sportsmen frequently complain that you are using sportsmen's dollars for inappropriate uses. Something like a fish hatchery certainly helps improve the fishermen's ability to catch fish. Was there any other thought to using sportsmen's dollars for this project instead of State General Funds?

### **Alan Jenne, Director, Department of Wildlife:**

We did contemplate other funds for this project. Currently, the funding source that we often use for this is trying to match sportsmen's dollars to our Dingell-Johnson Sport Fish Restoration Act federal funds. That grant is at capacity right now because those federal funds are supporting the other parts of our Fisheries Management Division. We did not have any remaining grant capacity to fund this project, and there were no federal grant funds available for funding the project. The Department of Wildlife is 98 percent self-funded, with 2 percent from the General Fund. Those state sportsmen's dollars are used at a ratio of one sportsmen's dollar to three federal grant dollars to make use of those federal funds. In the Dingell-Johnson fisheries example, we do not have any more federal grant left to draw on.

### **Senator Titus:**

We have had conversations many times along this line. I know you have used sportsmen's dollars for other things that do not necessarily match with the federal funds. Are you saying that for this choice, you felt that General Funds would be appropriate? Are you also saying we do not have enough in sportsmen's dollars to cover this, and the reason you are not using sportsmen's dollars is because you would not be able to match it with federal funds? Well, we are not matching this project with federal funds either.

### **Alan Jenne:**

We contemplated where we were at this given time, and with the funds that we have available, we do not have sufficient sportsmen's dollars to afford to do this work now.

**Assemblywoman Peters:**

I have similar questions related to the potential use of federal funding. I am thinking about federal funding that comes from the U.S. Bureau of Reclamation or the Environmental Protection Agency, or even some of the state infrastructure dollars that are directed to the outdoor industry. I do not know whether you exhausted the review of federal grant dollars that are available? We are seeing a lot of money in certain areas, but this area is one that I do not personally know enough about and whether you have examined the grants that you have historically received. Have you exhausted looking for other available grant options?

**Alan Jenne:**

Yes, we continue to do a lot of projects. We are always looking to maximize the efficient use of state dollars and trying to stretch those as far as possible. We are constantly reviewing opportunities, not only with federal grants, but also working with sportsmen's dollars and working with the conservation bonds authorized by Assembly Bill 84 of the 80th Session. We fund a lot of our projects independently and do not end up requesting state funds. In this circumstance, given the timing and where we are with funding right now, we have not identified another funding source. That is not to say in the future that other funds may not become available. But currently, this is our situation.

**Matthew Tuma, Deputy Director, Department of Administration:**

I want to add to that response. Like Director Jenne said, this would be funded with state dollars upfront. But like all projects that go through the Capital Improvement Program (CIP), they are subject to cost allocation and cost recovery through the statewide cost allocation. This would be one of those projects that would be subject to cost recovery through the statewide cost allocation. Once the project is completed, those dollars go into a depreciation schedule that then gets assessed to each agency based on their usage. Because this is a wildlife facility, this would go into the cost recovery for the Department of Wildlife and be subject to the cost recovery percentage that their budget accounts pay into the Statewide Cost Allocation Plan (SWCAP). For a lot of this project, the Department of Wildlife will reimburse the General Fund for the investment that is made up front now over the lifetime of the project. It is simply an infusion of state dollars upfront, and their costs are recovered over time.

**Chair Backus:**

With that, we will go ahead and move back to the beginning of the presentation for the Department of Administration.

**DEPARTMENT OF ADMINISTRATION**

**Jack Robb, Director, Department of Administration:**

We are going to go through some changes that have occurred since the State Public Works Board approved what you see in front of you today. We are going to go through the additions and subtractions. For a little background on how we got here, the state has

323 leases for office buildings for a total of 2,119,200 square feet of office space. A total of approximately 1 million square feet of those leases are leased from nonresident corporations or individuals [page 3, [Exhibit C](#)]. When we pay our lease payments, that money leaves the state never to recycle and come back. Las Vegas alone has 105 leases totaling 836,037 square feet for a total lease value over the life of those leases of approximately \$150 million. The table of leases on page 4 [[Exhibit C](#)] lists the leases expiring in the next biennium, and those total 275,789 square feet of leases that will be expiring.

A remodel of the Grant Sawyer State Office Building was approved by the State Public Works Board for a total of 224,000 square feet costing approximately \$127 million [page 5]. There is a proposed new fleet building costing roughly \$12 million, and a parking expansion just shy of \$2 million. Then to facilitate timing, we are going to build Grant Sawyer 2, which is a 125,000 square-foot building costing \$186 million. We are also looking at the Sahara Complex of 130,000 square feet costing approximately \$150 million. In total, we are going to get 479,000 square feet for roughly \$478 million or \$998 per square foot to build those new facilities and rehabilitate the Grant Sawyer State Office Building.

By comparison, we are looking at a purchase of 650,423 square feet for approximately \$166 million or \$256 per square foot. Page 6 is a map of the potential area that we are seeking to purchase. The area is outlined in yellow. It is panned back so you can see it in relation to the airport. When we first looked at this site, there were some questions on how this would impact our employees. We worked with Coldwell Banker Richard Ellis, and we produced the heat map on page 7. That heat map depicts 5,458 state employees who live in the Las Vegas valley. That is not all the employees who live there. We took out the Department of Corrections staff because they commute to their different location. We took out the Department of Wildlife staff because they have a newer building. We took out other individuals who have permanent homes like the Department of Motor Vehicles and others who would not be commuting to this facility in the future. You can see the star represents the site on the map on page 7. The average commute of all the 5,458 employees is 23.5 minutes to the new location or 14.9 miles. The Sahara Complex is hard to see. It is there by the little arrows right in the center of the map. The average commute time there is 21.2 minutes and 12.4 miles. Then we looked at the existing Grant Sawyer State Office Building by the red dot. The average commute time is 21.4 minutes and 13.1 miles. If you look at the new location, on average, it is very central in the valley compared to where employees live.

I am going to go one by one through the buildings that we are looking to purchasing. I am going to give a little bit of detail on the first one, and then I will not give as much detail on the rest because you will be able to see it in your packet [[Exhibit C](#)]. On page 8 is project MC30 at 7160 Bermuda, a 52,814 square-foot building. It is associated with a parking garage. You can see that the roof was restored in 2019, elevators were modernized in 2022, and heating, ventilation, and air conditioning (HVAC) replacements occurred in 2014. These buildings are 20 to 25 years old. They have been maintained very well, and everything

reflected in your packet will reflect the maintenance that has occurred on those buildings throughout time.

The next building on page 10 is Project MC21 at 7150 Pollock. As you can see, the last building was a multistory building. This is a single story. We have a combination of multi- and single-story buildings to add up to the 650,000 square feet. I missed one—on page 9 is MC6 at 500 East Warm Springs Road. That is a multistory building. Then we move to MC21 at 7150 Pollock. Page 11 is MC29 at One Harrah's Court, a 119,763 square-foot building. As the name depicts, it was formerly occupied by Harrah's, and the last tenant in there was Caesars Entertainment. They have both moved out. Most of the buildings at the beginning of this presentation are currently empty, and nobody is in them.

We will move to page 12, Project MC12 at 700 East Warm Springs Road. This building is not empty. It is a 58,546 square-foot building. The occupants in there currently are the Department of Taxation, and the Cannabis Compliance Board. We do have the first two floors in that building currently occupied. I am going to circle back to some more information on that in a minute.

We will move on to page 13 [\[Exhibit C\]](#), Project MC10 at 7230 Amigo. That is a multistory 82,265 square-foot building. Page 14 is MC22 at 7090 Pollock. It is right next door to another one on Pollock that I mentioned. That is a 28,608 square-foot single-story building. Then we will move on to page 15, MC4 at 505 East Capovilla, a single-story building right behind 500 Warm Springs Road. We will move on to page 16, MC7 at 7251 Amigo, another multistory building, right on the corner of Amigo and East Warm Springs Road. Then we will move on to page 17, MC2 at 475 East Capovilla. That is a 23,206 square-foot building. It is currently occupied, and 7251 Amigo is also currently occupied. I will go into some more details on that in a minute.

Page 18 is MC20 at 7180 Pollock. It is a multistory building right behind the Doubletree by Hilton Hotel on East Warm Springs Road. If you are familiar with the Doubletree and the Applebee's on East Warm Springs Road, it is the building immediately behind the Doubletree. Page 19 is MC3 at 444 East Warm Springs Road. That is a 29,760 square-foot building at the corner of Bermuda and East Warm Springs Road. Page 20 is MC1 at 7220 Bermuda. That is an 8,532 square-foot building. That was the first building built in the office complex. And then on page 21 is the next building, MC28, at 490 East Capovilla.

Page 22 is very colorful, but each one of the buildings that is in a color represents a building that we will own on the campus in the future. The colors depict when they are going to be purchased. The red is the first purchase. It comprises three buildings with a total of approximately 130,000 square feet or just over \$33 million. The reason we are starting with these three buildings is because they are currently vacant and all the tenant improvements have been completed. They have new carpet, new paint, new elevator upgrades, and are

ready to go. The buildings are turnkey, and we can move in. The price does not include additional tenant improvements that agencies may need in the future, but they are move-in ready. We will have to furnish them and provide new information technology (IT) infrastructure. There is no infrastructure for IT currently in the buildings, and we have some dollar projections on that project.

The blue color depicts the next five buildings that are going to be purchased, which have more than 312,000 square feet in total and cost just shy of \$80 million. Those buildings would be in the second phase. Every one of them is currently vacant except for the one that we have occupied on the first two floors of 700 East Warm Springs Road, but the tenant improvements have not been completed. They are in partial completion stage, some of them have partial carpet put in, partial light-emitting diode (LED) lighting has been completed, and painting has been done in parts of the buildings. The reason we are doing the second phase on October 13th is to allow Thomas and Mack time to complete those tenant improvements at those locations. But the buildings are currently vacant and available for us to move into.

The next purchase will be March 15, 2024. That would be five buildings, for roughly 153,000 square feet, costing just shy of \$40 million. They are depicted in green. The reason we chose March 15, 2024, is the current tenant lease expires February 28, 2024, for the green building on the right. The lease will expire before we own that building. We are really interested in owning the green buildings on the left, but there are some tenants in there whose leases have not expired yet. At the time that we take over the 153,000 square feet that is depicted in green, we will have approximately 80,000 square feet of that under current lease to other people, and we just must let those leases expire. When they expire, then we can move in state agencies. By having a staged takedown like we have projected to you with the first one beginning mid-July in red, it allows us time to complete projects, to let other leases that we currently have time out, to let us plan how we are going to use these buildings to their maximum capability, and to ensure the right fit for agencies in the right buildings. There is going to be a planning process that comes along with this. The staged takedown will benefit the state.

Then the final purchase is the one depicted in yellow. It is our wild card. It is under lease until February 2025. But the tenants in there have ceased operation. I viewed it a couple of weeks ago. They may have five people in there. The timing on that takedown may adjust a bit depending on what happens with the tenant who is currently under lease.

I want to talk now about 700 East Warm Springs Road. That is the bottom right building in blue. I explained that the Department of Taxation and Cannabis Control Board are currently in there. Taxation has a lease for 20,440 square feet. Currently, the rate this year is \$2.06 a square foot. That lease rate increases approximately 7 percent every year and will continue to increase. But let me give you an example of how purchasing versus leasing benefits the state of Nevada. At 700 East Warm Springs Road, in the last fiscal year, Taxation spent

\$505,000 to lease 20,000 square feet. When we purchase it in the next fiscal year, they will spend \$240,000 to lease it from the state of Nevada, because the lease rate decreases from \$2.06 per square foot to \$0.98 per square foot when you lease from the Buildings and Grounds Section, State Public Works Division, Department of Administration. All these buildings will be agency buildings, and they will be controlled by the state under the Buildings and Grounds Section and charged out that lease rate of \$0.98 per square foot for a total yearly savings of approximately \$264,000. When you look at this, we are buying 650,000 square feet, and we are getting that much savings on 20,000 square feet, and it is going to be tremendous. Each one of these agencies that move in will be able to get money back from lease payments in the direct program that benefits the state of Nevada.

Another thing I want to bring up is we need to change the way that we own and maintain state-owned buildings. As I discussed, the current lease rate is \$0.98 that covers our costs, but that \$0.98 per square foot does not maintain our buildings in the proper way. We have not been allowed to have reserves in these accounts. We have been reliant on the CIP process to maintain our buildings. That is an inefficient model. By using that model of not having money available to take care of our buildings, we lose money. If we have a \$10,000 repair in the building, we must go through a long CIP legislative process, and that \$10,000 problem is a \$250,000 problem by the time we get through the process. That is something we see routinely. We need to change the way that we maintain our buildings.

In the coming biennium, I will work with the Administrator of the State Public Works Division and the Deputy Administrator of the buildings and Grounds Section to come up with a different way that the \$0.98 covers the cost. We could increase rents to \$1.20 per square foot, and that extra \$0.22 could be put into a fund that is not seen as reserves but is seen as maintenance, and we can move away from the term "deferred" maintenance. Deferred maintenance means you did not do it when it needed to be done. Deferred maintenance is the wrong way to go. We need to start looking at preventative and routine maintenance and take care of our buildings before the problems get too big. That is something we will work on over the next biennium.

This has been a very rapid process to get to the point we are at with a negotiated deal at the \$256 per square foot. I looked back on my phone at the day that I found 500 East Warm Springs Road. We went and looked at another campus setting out on Stephanie Street on Interstate 215, and I was driving back to the rental car place. I was familiar with 500 East Warm Springs Road. I looked in that area before when we were trying to find a headquarters for the Department of Wildlife. I met with Thomas and Mack during that time. But on my way back to the rental car place, I was talking to a commercial realtor friend who I have in Las Vegas and asked him what is up with 500 East Warm Springs Road. He said there is 500,000 square feet of vacant office space there currently. I said make contact and let us have a conversation. That was February 9th. This project has moved extremely fast. Thomas and Mack have been very accommodating of us. I would really like to thank the Thomas and Mack families for being as supportive of

this project and as flexible as they have been. We have looked at the buildings, added buildings, and subtracted buildings. It has been a tremendous project to this point, and we are looking forward to completion.

I would like to thank the Thomas and Mack staff, specifically David Strickland. I would like to thank Willie Strickland. When we went on a tour one day with Senator Dondero Loop, Assemblywoman Monroe-Moreno, and Senator Cannizzaro, Mr. Willie Strickland was the main driver for us that day on the tour. I would like to thank everybody who went on that tour that morning. They were more than impressed with what we have found and the condition of the buildings. The buildings that have been rehabbed are bright, shiny, and they are ready to go. I would also like to thank Kent LeFevre and his staff and Timothy D. Galluzi, State CIO and Administrator, Division of Enterprise Information Technology Services, Department of Administration and his staff. Through this process, we were able to get 20 plus people and Mr. LeFevre's staff to do a facility condition analysis to make sure that what we are buying is viable and there are no red flags that say we should not do it. They have done a full analysis and review. I have that folder on my desk, and Mr. Galluzi has done a full information technology (IT) analysis. When we look at all the buildings, his projection to get all the IT up and running was a cost of approximately \$4 million. That cost is a great price. We are going to have additional costs for furniture and IT. There will also be some move-in costs. There are other things associated with the project, but it is truly the right way to go.

The other people I need to thank at the Division of State Lands, State Department of Conservation and Natural Resources are Charles Donohue, Administrator, and Ellery Stahler, Deputy Administrator. They have been great to work with, and they are in gear on this project working through the appraisal process now with the owners to make sure that the agreed upon price will work. All indications show me, when talking to other realtors and others, looking at other options that are in Las Vegas for this quality of product, that we are going to make the appraisal of \$256 per square foot.

Modifications for this presentation begin on page 23 [[Exhibit C](#)] and include withdrawing Project 23-C05, the fleet services building. Project 23-C18, the Grant Sawyer surface parking gets withdrawn. Project 23-C28, the Sahara Complex, will be withdrawn. We will withdraw the Grant Sawyer 2 Project 23-C29. Project 23-C34 is an addition of the Silver Springs Camp Demolition. Project 23-C35 is the addition of the purchase of these buildings at 650,000 square feet for \$166 million. Project 23-P10 will be advance planning for additional state offices in the Carson City area.

When we found this project that I just presented in southern Nevada, we have also been combing through all the available buildings in northern Nevada trying to get out of the lease scenario. There may be some opportunities in Reno we look at in the future. There is only one building that we would really consider purchasing in the Carson City area and that is the old Harley Davidson Financial Services building, and we are pursuing a purchase on that



through a different means. But we do need better office space and more conveniently located office space for state employees. That is why we are looking to this advanced planning for additional buildings on the Capitol Mall. With that, I can answer any questions on that part of our presentation.

**Assemblywoman Kasama:**

Common sense from the state—what we are looking at is just wonderful. I do have a couple of questions. I am certainly involved with real estate. I have always found that buying already existing buildings is always less expensive than building from the ground up and that includes both residential and commercial. There is tremendous savings. It looks like the buildings have been well maintained. I love the idea. You talked about buying these buildings in phases. Are the prices locked in?

**Jack Robb:**

Yes, the prices are locked in. We are locked in at \$256 per square foot for the buildings depicted in red and blue, and the tenant improvements will be 100 percent complete when we move in. The reason those buildings are in blue is because there are ongoing projects that need to be completed. That \$256 per square foot cost covers the tenant improvements that are going to be slated. It does not cover tenant improvements on the buildings that are currently occupied. We are locked into \$256 per square foot. We are just waiting for that appraisal to come back, and we are looking at the \$256 per square foot price across the campus. You are familiar with the real estate. One Harrah's Court is going to appraise higher than 505 East Capovilla. It is just not going to appraise the same, but we are looking at it as one purchase, and the \$256 per square foot for 650,000 square feet is how we produced \$166 million.

**Assemblywoman Kasama:**

You mentioned Thomas and Mack in the second phase. Will they be completing those tenant improvements?

**Jack Robb:**

Yes, Thomas and Mack are completing the tenant improvements prior to our purchase.

**Assemblywoman Kasama:**

I am highly supportive of this. It is great.

**Senator Seevers Gansert:**

I appreciate you bringing this forward. I mean, this is a big leap for the state. It is a change in the direction that we have been headed. You were talking about the projects that you are withdrawing. We do not need two of them, the fleet building and the parking expansion, anymore.

**Jack Robb:**

We are going to move away from ever building the Sahara Complex and Grant Sawyer 2. We are looking at other ways to repurpose the original Grant Sawyer State Office Building now. The cost to rebuild that is \$127 million for 224,000 square feet. We think we can spend our money more wisely and repurpose that building and use it in other ways. We are currently working on that. We do not have anything locked in stone on that, but I think it will be a much-needed new use in southern Nevada.

**Senator Seevers Gansert:**

It seems like we still need the fleet building. You just do not know where that is going to be. Are you going to try to do that somewhere else? Are you still going to try to do that on that property at some point in time? It seems like we need the fleet building for our fleet or you do not need that at all?

**Jack Robb:**

The fleet building was to be located with Grant Sawyer 2 and the Grant Sawyer State Office Building. If we were looking to change the way we use that property, the fleet building would not be in a location that made sense. With fleet being within a quarter mile of this complex, we may keep some of the fleet function where it currently is and have a different type of fleet function housed within the campus to which we are moving. We do not have a full plan on that yet, but we are going to become much more efficient with our fleet vehicles by having a campus setting in southern Nevada.

**Senator Seevers Gansert:**

Looking at the numbers that you have on the spreadsheet at the beginning of your presentation, it looked like we were going to invest about \$478.3 million. This purchase is going to cost \$166.5 million. The delta is about \$312 million, but then you talked about \$40 million in remodel costs. Are you going to end up rebalancing these numbers that you have and the money available? This is all bonding capacity. We are not using all our bonding capacity and my math is \$312 million less maybe \$40 million for the remodel dollars. Would that be part of the CIP for this session or for this upcoming biennium that would take bonding capacity? Our net bonding would be closer to \$272 million or something like that.

**Jack Robb:**

Yes, it is going to reduce our bonding. I talked about the \$4 million. The Governor does have another bill that has \$50 million for return to work. We have different monies we are going to use for the purchase of the Harley Davidson building that I spoke about and for the moving costs, furniture costs, and other things that are going to come out of a different pot of money than the CIP. We do have a way to get those costs covered, just not from CIP and bond money.

**Senator Seevers Gansert:**

We will have more bonding capacity available. Then we will be expecting quite a few budget amendments coming forth.

**Jack Robb:**

Yes, there will be some amendments coming forward.

**Chair Backus:**

I wanted to follow up on some of those questions just to make sure that our hearing record is clear. The Grant Sawyer remodel for \$127 million was not originally in the CIP. That was for a future project down the road.

**Kent A. LeFevre:**

That was our projection for the remodel once the design of the tenant improvements was complete. That did not get into the 2023 CIP because we were going to build Grant Sawyer 2 to transfer individuals out of the original Grant Sawyer State Office Building before we did the remodel. If this proposal had not come forward, we would be back in 2025 asking for tenant improvement funds for the original Grant Sawyer State Office Building.

**Chair Backus:**

I do have a lot of questions that I wrote down when you are going through your presentation. I know there is a one-shot appropriation in the budget for \$50 million to move some of our existing agencies. Was that something you were also going to amend for the moving costs? I know you do not have all these numbers with you today, but there are other needs for agencies that need to move into the campus over the next biennium.

**Jack Robb:**

Yes, we are looking at the \$50 million one-shot appropriation to help facilitate a lot of what we will accomplish here. Like I said, we are going to have to pay for some planning. We are going to have a lot of meetings with agencies to determine their needs. I know multiple agencies have multiple facilities across the valley with different timing of when their leases expire. We may move an agency into a building and leave part of the building vacant waiting for another lease to burn off, or we may move everybody over there and try to sublease. We do not have a lot of these answers, but I can tell you about the scenario in front of you right now. Today, purchasing 14 buildings in the campus setting, we will need to pull it off this time or it will not be there. This is a onetime deal. It does not exist in southern Nevada to have this much vacant office space in one location. We just hit the timing exactly right.

**Chair Backus:**

The price per square foot is a good deal. One of my questions originally was, could we get a discount if we finished the improvements to those buildings? But the price point is good, and Thomas and Mack will finish the tenant improvements. There are other things going on

behind the scenes that you did not go into about repurposing the Grant Sawyer State Office Building. Are we thinking about still maintaining that for state agencies or are we looking at moving past that so there would not be that need to remodel it in the next biennium?

**Jack Robb:**

We have been considering working with partners that the state of Nevada works with on a regular basis. We may look at repurposing that building into low-income housing and using the rest of that property for additional low-income housing units. It could be a tremendous benefit to southern Nevada. But we are looking at the architecture and the feasibility. It is very preliminary. I really did not want to talk about it today because it is so preliminary. But it is one of the many thoughts that we have had.

**Chair Backus:**

I was addressing the possibility of not having to incur the remodel cost of \$127 million. I appreciate that, Director Robb. Does anyone else have any questions? I will go to Senator Neal.

**Senator Neal:**

You piqued my interest when you said you are going to repurpose the building for affordable housing. I thought the building had some substantial issues inside of it. What would be the cost of doing that?

**Jack Robb:**

That is why it is still preliminary. We do not know, but some people looked at the plans to lay out the work. It may be a feasible project going forward.

**Senator Neal:**

Interesting. I am very curious about who thought of this idea? My mind is going to supportive housing or affordable housing. Was this your idea?

**Jack Robb:**

No, it is not my idea.

**Senator Neal:**

Okay. Who came up with that idea?

**Jack Robb:**

I met with somebody through the Thomas and Mack family.

**Senator Neal:**

So do we not want to say who this special person was that came up with the idea to turn it into affordable housing?

**Jack Robb:**

Whose idea was it? It was just a scenario that came up at the conclusion of our walk through with Mr. Strickland, who is in the audience today. He is from Thomas and Mack. He flew up from Las Vegas with his two sons to support this project and explained to his two young sons how this project process works. But it is something that he thought of at the conclusion of the tour that we had. The idea is so preliminary right now, it is not a tomorrow thing or a next year thing. We would have to walk through a lot of different scenarios to make sure we are doing the right thing.

**Senator Dondero Loop:**

When we walked through, we talked a bit about this, but can you talk about the remodel and what kinds of things need to be done?

**Jack Robb:**

The three buildings that are depicted in red are 100 percent complete with paint, fresh carpet, elevator remodels, and they are move-in ready. Some agencies might not like where the walls are, the number of offices, the amount of open space where we can put work cubicles, and other things. But the buildings that are depicted in blue have LED lighting, are energy efficient with upgraded elevators, and meet all the Americans with Disabilities Act standards of today. All the paint is done, new carpet is installed, and they are fresh. There is no need to do any work to the first three buildings that are slated to be purchased in July or the buildings that we will purchase in the October timeframe. They will be move-in ready with new LED lighting, elevators, rehabbed new tile, and new bathrooms. Some of the break areas needed to be upgraded, and they will be ready to go.

**Senator Dondero Loop:**

I can vouch for the facilities in the first wave being in good condition. Will we need to create an onsite facility maintenance department, or will that be hired out? Please talk about that.

**Jack Robb:**

We are looking at some budget amendments to bring on additional staff to handle that maintenance. We are also in talks with Thomas and Mack to do a contract for the first two years of maintenance. Their staff knows the facilities. It could be an opportunity for staff that we can bring on to learn the facilities and learn how everything works. We may go with a hybrid. We do not know yet. I have a meeting Friday in Las Vegas with Thomas and Mack to discuss some of these very issues.

**Chair Backus:**

Do we have any other questions pertaining to this new amendment? [There were none.] We can move on to the other projects that remain on the list.

**Kent A. LeFevre:**

In your handout, we are going to go to page 24 [\[Exhibit C\]](#) and will discuss the balance of the Department of Administration projects. I will present those projects for the Department of Administration. Our first project is Project 23-C01, which is the mail services building here in Carson City. This project is proposed to be situated at the corner of Fifth Street and Roop Street behind the existing mail services building. Page 26 is a rendering of the view of what we call the north mall. Once it is fully built out, the mail services building would be situated in the lower right-hand corner as depicted. This project is a \$16.6 million project and is 100 percent state funded. This will include the design and construction of a 13,500 square-foot building to support mail services and the continued operation for administrative services, reception, support spaces, and the loading dock.

Page 28 is Project 23-C03, which is the seismic retrofit of and renovation of the Heroes Memorial and Annex building. This building is located opposite the Capitol on Carson Street just south of the Capitol, kind of kitty corner to the Capitol. This project would provide the seismic renovation of that building, strengthening the building, and a major remodel. The upgraded structure will provide a more effective use of the space inside that building, and this is a continuation of Project 19-P02, so the planning is virtually finished. We are going to be shovel ready in July for this project.

Next is Project 23-C05 on page 30, which is the fleet services maintenance building at the Grant Sawyer campus. The Department will not move forward with this project pending the updated planning that you have heard discussed by the Director today.

We will skip forward to page 33 [\[Exhibit C\]](#). Project 23-C16 is the office renovation of the Department of Education. The Department of Education headquarters is currently located on Fifth Street between Roop Street and Stewart Street facing Fifth Street in Carson City. This project will be a 2,400 square foot remodel of the existing storage space they have in the building. The project is slated at \$2.2 million and is 100 percent state funded.

The next is Project 23-C17 on page 35 for the microwave tower relocation for the Grant Sawyer State Office Building. This project cost is \$4.3 million, and we will construct a new microwave tower at the Washington Street Department of Transportation yard just to the west on Washington Street. Then once that new microwave tower is completed and commissioned, we will decommission the one that is on top of the Grant Sawyer State Office Building. There are about 20 agencies that are stakeholders in the microwave tower, including the Department of Transportation, the Department of Public Safety and all of their divisions, the Office of the Attorney General, the Office of the Secretary of State, the Legislative Counsel Bureau, the Department of Motor Vehicles (DMV), the Taxicab Authority, the Office of the Military, and so many others. It is a very key piece of equipment for communications in the Las Vegas valley. You might ask why we are moving it if we are not going to do anything with the Grant Sawyer State Office Building. If that building falls into disrepair or is either sold or transferred to a state agency or a private entity,

we need to get this equipment off that roof and move it to a secure location that is controlled by the state and on state property.

Next is Project 23-C18 which is the construction of the parking lot at the Grant Sawyer State Office Building. This parking lot is surface parking that was anticipated to be needed if we built Tower 2 at the Grant Sawyer State Office Building. We would need surface parking for the interim between building the new tower right in the parking lot where it sits now. This project would not move forward, pending the directive and presentation by the Director this morning.

Next, we move to page 39 of your handout. Project 23-C24 is the Bradley Building demolition. This building is located on Atlantic Street at East Sahara Avenue in Las Vegas on the DMV campus. This project cost is \$1.7 million and is 100 percent state funded. The scope of this project is to demolish the Bradley Building in Las Vegas and perform site restoration at that lot. The building is vacant and has been for years. It is beyond its useful life. It would cost more to renovate that building than it would to replace the building. That is why we have recommended that this project move forward.

Next is Project 23-C28 on page 41, which is the administration building for the Sahara site. This was contemplated to be built next to the DMV. Page 42 shows an architect's rendering of where that would sit. It will fall in the existing footprint of the old DMV if you remember that far back. I remember standing in line at that DMV back in 1989. This project will not move forward pending the acquisition of other state potential buildings.

Next is Project 23-C29 on page 44 [[Exhibit C](#)], the Grant Sawyer State Office Building site. This is what I parenthetically call the tower to our Grant Sawyer 2. This project would not move forward, pending planning of the purchased buildings.

With that, we will skip to page 48 which is Project 23-C30, the administration building at the Kinhead site. This is located in Carson City just to the east of us at the east side of the Capitol Mall. This picture of the north mall shows the location of the building situated at Roop Street and King Street. This would be a planning, design, and construction project of 130,000 square feet for \$158 million and is 100 percent state funded. We anticipate that we would be able to get at least 100,000 square feet of leasable space in that building, minus circulation, stairways, elevator shafts, and so on. That would put a dent in the current agency private leases that are within Carson City. There is over 600,000 square feet of private or what we call third-party leases in Carson City or in northern Nevada. This would help bring those agencies back to state-owned assets.

Moving on to page 51 [[Exhibit C](#)] Project 23-C35, as the Director has articulated, is the acquisition of 14 buildings at the McCarran Center in south central Las Vegas. This is a \$166 million project and is 100 percent state funded.

Then continuing to page 53 is the advance planning Project 23-P10 of an office building for the Capitol Complex here in Carson City. This is not to be confused with the one that we are going to plan and build. This would be advance planning only and is located at Roop Street and Fifth Street on the southwest corner about where those cottages are that are slated for demolition. This advance planning project is \$10.8 million and will provide a 130,000 square foot state office building on the campus. We are excited to have the Capitol Mall and have the leadership support for the idea of creating the Capitol Mall. For so many years, it has been an open field with a few dog parks and some old buildings that need to come down. But this is our opportunity to start the Capitol Mall and give the state of Nevada a seat of government worthy of the people that we serve. With that, I will take any questions that you may have on the Department of Administration projects.

**Assemblywoman Jauregui:**

I have some questions regarding the mail services building. What kind of impact would the increased size of the mail services facility from about 8,137 square feet to 13,500 square feet have on user fees? I am also curious about the plans for the current mail services building and school building. What is going to happen with those?

**Kent A. LeFevre:**

Matthew Tuma will answer the financial portion of that question, and then I can answer the brick-and-mortar questions.

**Matthew Tuma, Deputy Director, Department of Administration:**

In short, because of the cost recovery mechanisms through SWCAP, an increase in fees will be required for using agencies for mail services. There is a six- to eight-year lag in when those show up in an agency's budget account for cost recovery based off completion of the project, allocation of those costs, and putting that into each budget account. For example, in the upcoming biennium budget, the depreciation costs that are in SWCAP calculations for agencies for cost recovery for the next biennium fiscal year (FY) 2024 and FY 2025 are based on FY 2020 and FY 2021 actuals. There is that delay, but it will increase it.

I would say when you are looking at cost recovery, and you are looking at those implications, those are not considerations made by the State Public Works Board when they are making recommendations for the Capital Improvement Program (CIP). They do not look at those granular details on how cost recovery is going to occur at the agency level. From a user perspective, there is a lot of opacity and a lack of familiarity from most using agencies about how costs are allocated and how they are re-collected to reimburse the State General Fund. The General Fund supports less than half of the function of state government. When you are making all these decisions on capital investments, there is going to be a cost recovery implication for any of those non-General Fund funded sources. We discussed this in a previous department's capital investment request. With any of the agencies that are federally funded, or any of the agencies that are fee-funded, you are going



to have those cost allocation cost recovery impacts that are going to have that six- to eight-year delay in those implications for those using agencies and for their funding sources.

I would say just from a global level, there is a concern about some of the inconsistent nature of how we discuss cost recovery because it really only shows up or mostly shows up in the discussion of internal service funds as opposed to any of those other uses of funding that we are allocating project dollars for General Fund recovery or from recovery for bond sources funds. In the long-term, that has had a disproportionate impact for us underfunding our infrastructure for internal service funds because we are making that connection in that isolated case as opposed to not globally with all these funding sources. There is a concern about selectively and intermittently using these criteria for the allocation of these broader dollars.

When the State Public Works Board reviews the projects, they do not look at cost recovery as a consideration when they are ranking their projects. This project just incidentally is the number one priority recommendation from the State Public Works Board based off of the critical need and value of moving forward with getting mail services out of their current location and into a facility that actually has the appropriate size and infrastructure to house equipment, the appropriate electric infrastructure to actually operate modern equipment so we can replace some of the outdated items, and is safe for the employees who are there.

I would also say cost recovery and the long-term cost of any of our rates is something that goes into our agency's determination of how we go about trying to fund projects and what resources we use for funding. The result of this project being on the CIP list and recommended through this 2023 CIP is a last resort effort for us to get this project funded. This discussion started about three years ago at the beginning of the pandemic when the critical need of this infrastructure was presented to the agency in a paramount way because of our failures to deliver dependable mail on time, especially unemployment and welfare claims that were affecting the day-to-day lives of Nevadans. We had a critical infrastructure need. We had missed the boat and were too late for the 2021 CIP funding process. But there were also federal dollars on the table through the Coronavirus Relief Fund that was initially passed by the federal government, and then the American Rescue Plan Act of 2021 that was passed a year later. Those were priorities for our Department to try to request funding for this exact purpose through those sources of funds. That was our Department of Administration's number one priority in requesting funds from both of those sources of federal funding. Unfortunately, the project did not rank high enough to be funded under either of those opportunities. So here we are recommending it through the normal CIP process with state funding that would be cost recovered in the normal way for other agencies.

I recognize that was a long-winded answer to discuss how that recovery will work. But it is something that is contemplated deeply by our Department about how we go about funding these sources. There is a lot of lack of understanding I would say from a lot of practitioners

in both the Executive and the Legislative Branches of how these mechanisms like SWCAP and cost recovery work.

**Assemblywoman Jauregui:**

That answered my second question.

**Kent A. LeFevre:**

I will try to address your brick-and-mortar question. This existing building that mail services is in was built in 1953. It is over 70 years old, and the building is not and never was intended to serve as a mail services facility. The equipment in there is piled on top of each other. Many of the supply materials are being put in borrowed space from other agencies because there is simply no room to put a proper operation together in that building. This new building is going to give us what I would call elbow room to get this operation going. This operation is for every piece of mail that goes out from the state and goes through this operation. We are talking about 51,000 pieces of mail every single day that go through this facility. What happens to the existing building? That building is controlled by the Buildings and Grounds Section at this point and may be able to be repurposed for another use or another tenant. The building is tired at 70 years old and in the master plan for the campus, that building is not there, it is missing because it is in the way of the mall.

**Chair Backus:**

I am going to move on to the seismic retrofit and renovation of the Heroes Memorial and Annex building. My question is with respect to the Attorney General's staff and attorneys over there. Are they going to be able to continue normal operations by working in other areas of the building while the seismic repairs are being performed?

**Kent A. LeFevre:**

The Office of the Attorney General and the Frankie Sue Del Papa buildings have room in the basements for additional staff. I toured those buildings a few days ago, and the carpet is brand-new. They are just putting it in. The walls have been repainted. There is going to be room for staff in the basement. When we do this remodel, it is very invasive, so there is not going to be any staff in the new building while we completely gut this building and redo the structural component as well as the tenant improvements. I received a communication from the Office of the Attorney General last week that they would be able to work around this project based on their current staffing model.

**Senator Dondero Loop:**

My question is regarding Project 23-C16 for the Department of Education. Would this additional office space accommodate the new staff that they need? Would there be any anticipated cost savings from the relocation of those employees from leased space into a newly constructed office space?

**Megan Peterson, Deputy Superintendent, Student Investment Division, Department of Education:**

The office space that would be available because of this project would support the new positions that were recommended in The Executive Budget. The positions that are currently in leased space would not be accommodated here, and the Department would still need additional space for existing staff.

**Senator Dondero Loop:**

What is the long-term plan for the use of the Department of Education building, and how does this \$2.2 million investment relate to the long-term plan?

**Megan Peterson:**

I am still getting up to speed on the long-term plan. I do not have that information today, but I can get that to you.

**Senator Dondero Loop:**

That would be great. That building is a little tired as well, even more tired than the mailroom building.

**Kent A. LeFevre:**

One thought occurred to me and this needs to be vetted, but in the two new towers that we are building on the Capitol Mall, there would certainly be room for education in those buildings. They would be a prime candidate given their location on the Capitol Mall.

**Senator Dondero Loop:**

Many people need to come and go through a building like that just to get licensed. I am sure that the additional room and requirements that the Department of Education will need as we move forward and get things done for education would be appreciated.

**Assemblywoman Peters:**

Talking about the Bradley Building demolition, what is the estimated annual savings from avoided costs for the completion of that demolition?

**Kent A. LeFevre:**

Currently, we are not spending a lot of money on that building because it has been vacant for years. We do have some minor maintenance that is done to that building just to keep vagrants and unwanted pests out of the building who may intrude into the building. The building itself is tired, and every system in that building has been compromised by age and use. Nobody has been in that building for seven years. The facility condition needs analysis index (FCNI), which is prepared by the facility condition analysis group, puts the FCNI at that building at 65 percent, and anything over 50 percent means you must buy a new building. It would cost more to fix that building than to replace it. There is no tenant in that building right now.

**Assemblywoman Peters:**

I was thinking about the cost of maintaining insurance for that property, costs for electricity even if it is minimal, the annual fire inspection costs, any landscaping costs that are associated with that structure, even the Capitol Police surveillance and vandalism repairs that have accumulated over the last several years as this has been not occupied. If you have a response to that, that is fine. I just want to make sure we got that list on the record.

**Kent A. LeFevre:**

We can certainly get back to you about that. There were some comments on that during the question-and-answer period, but we can firm that up for you.

**Assemblywoman Peters:**

With the demolition of that building, are there any future plans for that site?

**Kent A. LeFevre:**

It is a small site, less than a half of an acre. The intent is to fit that site with xeriscape in that corner of the new campus.

**Assemblywoman Kasama:**

I have a clarification question on the state office building, the Capitol Complex, and the advance planning for that. Was that in the original Governor's recommendation or is this a new recommendation from the Governor?

**Kent A. LeFevre:**

That is in the new recommendation. The existing Kinkead site building, design and construction was in the original CIP recommendation, and this new planning project is part of the Governor's amendment.

**Senator Dondero Loop:**

This question is in reference to Project 23-C30. With construction not planned to commence until September 2025, what would be the impacts if the project were reduced to planning with the expectation that construction funding could be considered during the 83rd Legislative Session?

**Kent A. LeFevre:**

This project was originally contemplated as a planning project. However, in conversations with the Office of the Governor, it was changed to a planning and construction project. That is where we are today with that proposal. One of the questions you might ask is, can you do it in four years? I think we can because the program on this building is simple. It is a double-loaded office space with the hallway down the middle, like the Bryan building at the end of the campus. The program is straightforward, and I believe we can design it quickly and proceed with the construction.

**Senator Dondero Loop:**

Which state agencies would move into the new Kinkead building site?

**Matthew Tuma:**

To add on to the previous question first about the timing of the 82nd Legislature or the 2025 authorization, the color of money that is being used in a project additionally affects the ability for the State Public Works Division to move forward. When constructing large construction projects with bond funds, one of the reasons why we would want the planning and the construction authorized in this legislative session, as opposed to bumping the construction until the following legislative session, would be the availability of bond cash. Using this CIP as an example, the 2023 CIP that is going forward, when that gets finalized and approved by the Legislature and signed by the Governor, if it is a General Fund funded project, that cash is available right away. If it is a bond-funded project, that cash is not available until towards the end of the calendar year. That project is slated to start at the beginning of the following fiscal year, the beginning of the next biennium. Because we must go through the process with the Office of the State Treasurer to sell bonds, that cash for that project is not available until the end of the calendar year for tranche one. We sell those bonds over three subsequent years. By including the construction in the same project in this biennium, it allows the State Public Works Division to move forward seamlessly once they are done with the planning project and to move immediately into that construction phase, as opposed to waiting until bond cash is available at the end of calendar year 2025.

Getting to the question that you just asked, it has not been determined exactly what agencies will be going into that building now. It would be managed by the Buildings and Ground Section. It would be available for any agency within the Executive Branch or potentially other accommodations that would need to be made. As presented to you earlier, we currently have over 600,000 square feet under lease in Carson City. There are a large number of agencies that would have expiring leases between now and the time frame of when that building would come online that could be potential occupants of that building, as well as long-term planning of the Capitol Complex and where agencies would go within some buildings that may need to come offline because of their age and disrepair. It has not been finalized now. We know that there is significant demand. We recently had roughly 5,000 square feet of office space come up in a state-owned building in Carson City, and we have had no less than a half dozen departments clamoring to look at moving into that space. We are confident that there would be enough lead-in time through that project that we could program which agencies would be in the building.

**Senator Dondero Loop:**

What are the future plans for the Blasdel Building?

**Kent A. LeFevre:**

The Blasdel Building will be razed pursuant to the master plan in the 2027-2029 biennium. That would give us four years to get these new buildings online, and then move those agencies into the new buildings and make the Blasdel Building available for disposal.

**Assemblyman O'Neill:**

I know the answer to this. We are talking about the Capitol Complex, and we have been talking about it for years. I regularly get asked questions about why the state does not buy the Ormsby House and convert that as we are doing in Las Vegas, converting instead of building. Can you help me give an answer to some of our local citizens on that?

**Kent A. LeFevre:**

That question has come up off and on over the years as you pointed out. We have looked at that building, and from a state office perspective, the architecture of that building does not really lend itself to office space. For example, each hotel room is cut up into inefficient spaces for an office use. I would have one full-time-equivalent (FTE) in each hotel room if it were an open office space or cubed or configured. In a normal office space arrangement, I could put two or three people in that space. Structurally, it is problematic to use that as a state asset.

Assembly Committee on Ways and Means  
Senate Committee on Finance  
Subcommittees on K-12/Higher Education/CIP  
April 5, 2023  
Page 31

**Chair Backus:**

Do we have any other questions from the Subcommittees' members? [There were none.]  
I will open public comment. Is there any public comment? [There was none. [Exhibit D](#) was submitted.]

There being no further business before the Subcommittees, this meeting is adjourned  
[at 9:58 a.m.].

RESPECTFULLY SUBMITTED:

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Janice Wright  
Committee Secretary

APPROVED BY:

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Assemblywoman Shea Backus, Chair

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

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Senator Marilyn Dondero Loop, Chair

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

## **EXHIBITS**

[Exhibit A](#) is the Agenda.

[Exhibit B](#) is the Attendance Roster.

[Exhibit C](#) is a copy of a PowerPoint presentation titled "State Public Works Division Presentation to the Senate Finance Committee and the Assembly Committee on Ways and Means Subcommittee on K-12/Higher Education/CIP's," dated April 5, 2023, presented by Kent A. LeFevre, Administrator, State Public Works Division, Department of Administration.

[Exhibit D](#) is a letter submitted by Chase Whittemore, Esq., representing the Northern Nevada Railway Foundation relating to the Capital Improvement Program budget and in support of Senate Bill 186.