MINUTES OF THE
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT

Eighty-second Session
May 29, 2023

The Senate Committee on Revenue and Economic Development was called to order by Chair Dina Neal at 1:42 p.m. on Monday, May 29, 2023, in Room 2134 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Exhibit A is the Agenda. Exhibit B is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Dina Neal, Chair
Senator Fabian Doñate, Vice Chair
Senator Heidi Seevers Gansert
Senator Carrie A. Buck

GUEST LEGISLATORS PRESENT:

Assemblywoman Sandra Jauregui, Assembly District No. 41
Assemblyman Steve Yeager, Assembly District No. 9

COMMITTEE MEMBERS ABSENT:

Senator Pat Spearman, Excused

STAFF MEMBERS PRESENT:

Michael Nakamoto, Chief Principal Deputy Fiscal Analyst
Christian Thauer, Deputy Fiscal Analyst
Janet Stokes, Committee Secretary

OTHERS PRESENT:

Bob Potts, Deputy Director, Governor's Office of Economic Development
Karsten Heise, Senior Director, Strategic Programs and Innovation, Governor's Office of Economic Development
Nick Vander Poel, Northern Nevada Development Authority

Alejandro Rodriguez, Nevada System of Higher Education
Nick Schneider, Vegas Chamber
Michael Flores, University of Nevada, Reno
Kanani Espinoza, University of Nevada, Las Vegas
Anthony Ruiz, Nevada State College
Mendy Elliott, Nevada Housing Coalition; Reno Housing Authority; Nevada Rural Housing Authority; Southern Nevada Regional Housing Authority
Amber Stidham, Las Vegas Global Economic Alliance
Kurt Walker
Andrew Schydlowsky, Founder and CEO, TrackStreet, Inc.
Joshua Leavitt
Rosalie Bingham, Regener8tive
Christine Hess, Executive Director, Nevada Housing Coalition
Nic Ciccone, City of Reno
Arielle Edwards, Nevada HAND, Inc.
Shelbie Sports, Battle Born Progress
Dylan Shaver, City of Las Vegas
Kelly Crompton, City of Las Vegas
Nicole Rourke, City of Henderson
Joanna Jacob, Clark County

CHAIR NEAL:
I will open the meeting of Senate Committee on Revenue and Economic Development with Assembly Bill (A.B.) 41.

ASSEMBLY BILL 41 (1st Reprint): Establishes the Nevada Innovation Account. (BDR 18-213)

BOB POTTS (Deputy Director, Nevada Governor's Office of Economic Development):
Joining me today to discuss A.B. 41 and the Nevada Innovation Account is Karsten Heise, Senior Director for Strategic Programs and Innovation. Mr. Heise, the Governor's Office of Economic Development (GOED) is the resident expert on technology company formation and growth and will provide a brief overview of the proposed bill.

KARSTEN HEISE (Senior Director, Strategic Programs and Innovation, Governor's Office of Economic Development):
The goal of A.B. 41 is to strengthen the formation and growth of technology-based small businesses in the State, in particular, those formed recently. Nevada startups and early-stage, high-growth companies and highly scalable small businesses will be the beneficiaries of this bill.

Because of their respective development stage shown in my presentation (Exhibit C), these small companies have limited resources and are therefore crucially dependent on the external environment to secure those resources essential to their businesses. Accessing these resources is often beyond their control. To strengthen these startups, we need to strengthen the environment in which they operate by addressing weaknesses in their support structures.

When you hear the term entrepreneurial ecosystem, we are talking about strengthening components of that ecosystem. That is the rationale for A.B. 41. We are targeting gaps in these essential support structures with dedicated programs to fill those shortcomings. As a side benefit, we are also trying to catch up with other states where these programs have been operational for a long time. This bill does not contain a fiscal note, but we are creating a framework and a mechanism to participate in increasing federal funding opportunities recently made available. Several examples are the National Science Foundation (NSF) Regional Innovation Engines Program under the CHIPS and Science Act of 2022 or the U.S. Economic Development Administration (EDA) Regional Technology and Innovation Hubs known as the Tech Hubs Program.

Section 2 sets out the definitions and terminology of this bill. Section 3, subsection 4 allows for gifts, grants, donations and federal allocations to be deposited in the Nevada Innovation Account. We now have a vehicle in place to actively seek federal grants comprising technology startups and development of the entrepreneurial ecosystem under the CHIPS and Science Act of 2022, the NSF Regional Innovation Engines or the EDA Tech Hubs.

Section 4 allows GOED to utilize a GOED-created nonprofit corporation, Nevada Battle Born Growth Escalator, Inc., created by A.B. No. 17 of the 78th Session. This nonprofit operates the State Small Business Credit Initiative, the organization of choice given the objectives of this bill.

Section 5, subsection 1, paragraph (a) allows for the establishment of competitive grant programs to support startups and early-stage, high-growth companies to develop technologies with strong market potential and addressing market gaps in Nevada. The states of Colorado, Iowa and Massachusetts have similar programs as do additional programs in other states.

It is important to note that eligible companies have to be small, not more than $2 million combined financing, grant funding or revenue within the three years immediately preceding the application to this program, with not more than ten full-time employees, the federal definition of "small business."

Section 5, subsection 1, paragraph (b) allows matching funds to businesses receiving awards under the Small Business Innovation Research Program (SBIR) or the Small Business Technology Transfer Program. The SBIR is often called America's Seed Fund and a matching program here would amplify this successful federal grant program. Such programs exist in about 33 other states, prominently in North Carolina, dating back to 2005. With this program, we would match the SBIR Phase I grant or contract awarded by federal agencies to technology-based small businesses.

Section 5, subsection 1, paragraph (c) allows for the systematic support of organizations operating accelerators and incubators. Examples you may have seen in the press are of generators we work with. This bill would provide a more systematic mechanism to continue and broaden the support for such organizations.

Section 5, subsection 1, paragraph (d) allows for the creation of an internship program for entry students in the fields of computer science, business, engineering or science. Some members of this Committee, also some members of the Interim Finance Committee, passed legislation allowing us to use Attorney General funds in October 2022 to operate a talent retention program with the University of Nevada, Reno, and University of Nevada, Las Vegas (UNLV). This portion broadens the program and takes it to sustainability.

SENATOR SEEVERS GANSERT:
Section 5, subsection 1, paragraph (a), subparagraph (1), sub-subparagraph (II) reads "support research, development and innovation of promising technologies with strong market potential and that have a technology readiness level of at

least 3 and not more than 5." You said this is aligned with the federal SBIR program. Would you talk a little bit about that?

MR. HEISE:
Yes. Originally, the National Aeronautics and Space Administration initiated technology readiness levels (TRL), qualifying the technologies. Technology 3 is post-research, prototype development level. We are trying to get these companies at that stage of developing a prototype, and research is complete, but they are taking it to market. We want to accelerate them out—TRL 3 at the minimum—so we are not concentrating on pure research but taking them to a higher level.

SENATOR SEEVERS GANSERT:
In your amendment that talks about the membership of the Board of Economic Development, it looks like the Director of the Governor's Office of Economic Development has the authority to decide whether someone receives funding. What is that process?

MR. HEISE:
In a nutshell, the program(s) under this bill would be operated within GOED. We would then collaborate with the nonprofit mentioned in this bill, but the ultimate decision still lies with the executive director, similarly to the Knowledge Fund. The operation would then depend on the nonprofit but also the components of this bill—some more operational than others—where the nonprofit could subcontract.

SENATOR SEEVERS GANSERT:
When we first started the GOED, we created a nonprofit to work with the entity. I cannot remember the name of it, so maybe you can fill in the blanks on that. We have done something like this before successfully.

MR. HEISE:
Yes, that is correct. Assembly Bill No. 17 of the 78th Session created the nonprofit, Nevada Battleground Growth Escalator, Inc., and that nonprofit operates the State Small Business Credit Initiative (SSBCI) program. We could not directly fund or support through the research development, matching grant program and private enterprise without a nonprofit in between.

SENATOR DOÑATE:
I appreciate having this conversation. I worked for a bioincubator in Maryland, and it was an amazing process. This is a good opportunity for the State to begin these conversations. Is there potential for legislation in future years for this Account to have consideration? For instance, if a company has seed grant funding, etc., this Account will incorporate some level of share request from the corporation. Is that correct? Is that something this Account or the folks involved with this Account would do if a small company receives funds from this Account? Now the State is obligated to get a portion of the share of the company as ownership so if the company matures and sells to another company, merges or acquires another company, will the State retain a portion of that? Is that a conversation you have had internally about the logistics of this?

MR. HEISE:
That is an excellent question. The answer is twofold. When we are in early stages, for example, small business innovation research, we talk about nondilutive capital—that is the SBIR program—and we match that portion. We can go two ways; we can be nondilutive and not hold a stake in the company by matching the federal grant or contract from the federal agency. Or we take a stand and say we match it, but give us equity in return or at least a small portion of it. It is up to us. The bill gives us flexibility because it essentially talks about creating a program, a State Planning and Research matching program and accelerator research and development technology program. But how we structure the program is up to us. We could be absolutely open to take equity, but I would add caution to that; if the development of the company is early, it could be counterproductive to the company. That is why we talk about nondilutive capital, but it is not excluded. We can do that.

SENATOR DOÑATE:
I am assuming the programs you approve are probably the ones aligned to the Defense Advanced Research Projects Agency (DARPA) or any of the funding requests from the federal government or the National Institutes of Health (NIH).

MR. HEISE:
That is correct; SBIR, DARPA, NIH and other agencies participating are what we would match under that program.

SENATOR DOÑATE:
With regard to the reporting mechanisms of the bill in section 6, subsection 6, paragraphs (a) through (g), paragraph (a) talks about the dollar amount of allocations awarded from the Account. There have always been discussions when funding innovation of ensuring a diverse pool of applicants can succeed because they are the ones being awarded the grants. Would you be open to adding into this section data collection on the demographics of the individuals who receive the grants and their leadership structure? That way we can track whether the folks receiving grants are from diverse backgrounds. That would be my only request.

MR. HEISE:
Absolutely.

CHAIR NEAL:
Your program Innovation Based Economic Development (IBED) focuses on commercializing research, fostering entrepreneurship, increasing access to capital build, expanding the workforce and increasing research capacity. How does IBED merge into SBIR?

MR. HEISE:
As I discussed, IBED is a holistic structure, an ecosystem. Exhibit C depicts this graphically, identifying where other programs fit, for instance, the Knowledge Fund and SSBCI. It is all part of a much broader system that adds to and strengthens existing programs.

CHAIR NEAL:
Section 5, subsection 1, paragraph (a), subparagraph (1), sub-subparagraph (I) says the competitive grant programs are designed to address the market gaps. The Governor's Office of Economic Development has had a commercialization program that keeps coming to mind. In 2011, I recall Speaker John Oceguera created a research program connected to the universities. It was a commercialization program. What is the gap in developing that and moving forward? How will GOED and the Innovation Account address the market gaps that may have been plaguing the State?

MR. HEISE:
The universities and commercialization are being dealt with in that we are developing intellectual property technologies within the university system, launching those outer licenses and creating new companies.

What we are discussing does not have a GOED program in place. The private sector has already developed the technology, and we are trying to support them. They are basically parallel to one another. The university systems are licensing out or creating new companies. We also need to support companies created independently of the universities, but they can then link to the universities as well.

NICK VANDER POEL (Northern Nevada Development Authority):
The Northern Nevada Development Authority is the State-designated regional development authority for the Sierra region of Nevada, Carson City, Douglas, Lyon, Mineral and Storey Counties.

We appreciate GOED bringing forth A.B. 41, which will bring an integrated approach to existing but new businesses in the Silver State. This approach creates collaboration but also builds a support program which in the end is a win-win for Nevada businesses and entrepreneurs making remarkable steps in the technology space.

ALEJANDRO RODRIGUEZ (Nevada System of Higher Education):
We support A.B. 41. We are particularly excited about the additional opportunities this could provide for our students and our institutions throughout the system.

NICK SCHNEIDER (Vegas Chamber):
We are in support of A.B. 41. This is an essential piece in growing and strengthening tech-based businesses, especially in southern Nevada. We appreciate the support it provides for small businesses and entrepreneurs in emerging sectors. As such, we ask your support.

MICHAEL FLORES (University of Nevada, Reno):
We are in support of A.B. 41. You already heard about our collaboration with GOED, and this will help build on that.

KANANI ESPINOZA (University of Nevada, Las Vegas):
Through UNLV's Office of Economic Development, Black Fire Innovation serves to accelerate innovation and early startups. We look forward to the continued partnerships with GOED and the community. We urge your support on A.B. 41.

ANTHONY RUIZ (Nevada State College):
We are happy to support this bill and what it does to build our innovation ecosystem.

MENDY ELLIOTT (Nevada Housing Coalition):
We support this bill and appreciate the GOED Development for introducing this bill.

AMBER STIDHAM (Las Vegas Global Economic Alliance):
We are the State-designated regional development authority for the greater Las Vegas area. We support A.B. 41 as it works to create more adaptability within the startup economy, which supports the scalable entrepreneurship endeavors. Ultimately, we support this measure because it enables an environment that better allows for innovators and visionaries to develop new technologies and excel.

KURT WALKER:
I am a private lender—VC Venture Deck guy—and longtime lover of Las Vegas. We are in support of a bill critical in our efforts to bring excited founders who are calling us along with other funds and other groups to the State along with federal support helping the innovative process that happens with startups. This State can become one of the top markets for innovation and entrepreneurship.

ANDREW SCHYDLOWSKY (Founder and CEO, TrackStreet, Inc.):
I am calling to support A.B. 41 that provides a strong foundation to accelerate growth in the Las Vegas ecosystem.

JOSHUA LEAVITT:
As the founder of a few Las Vegas startups and Tech Alley, a nonprofit that brings the community together in Las Vegas and Reno, I am speaking on behalf of myself in support of A.B. 41.

Las Vegas was recently listed as the top pre-IPO startup city in the Nation in the 2023 Crowdfund Capital Advisors annual report, which is a big leap. Last year, we were ninth, which is quite amazing, but the big leap contributed to a lot of things including the startups relocating to Nevada during and after the pandemic. The problem is we do not have many Nevada startups. The concern is that these businesses can disappear as quickly as they arrive, taking the resources, knowledge, investor support and opportunities along with them. As I understand it, A.B. 41 puts Nevada in a position to further support entrepreneurism and launch the high-growth startups in our State. The ability and opportunity to grow homegrown startups, scale-ups and unicorns is one of the most important things the State can provide. As far as I am aware, only a handful of incubators and accelerators are in Nevada.

In comparison, I found a 2015 Texas business directory that had over 103 incubators alone with 61 percent focused on high-tech fields. Creating the means of bringing incubators and accelerators to the State and providing access to funding research is another tool which is important to Nevada's entrepreneurism and our high-growth startups. I appreciate the opportunity to testify in support of A.B. 41. I am always available to share insights and answer questions.

ROSALIE BINGHAM (Regener8tive):
I am a fourth-generation Nevadan, and I am in support of this bill. Being a native Nevadan, I know what it is like to start something and then have it expand in the Old West and to mainstream. One thing I would be cautious of when funding startup companies is a stringent vetting process and accountability for those funds, so we can ensure transparency when collaborating across different groups helping with backing and resources. It is important to have a user-friendly automated process that helps people understand if they are ready for funding. The worst thing is funding an entrepreneur who is not ready for funding. It is not good for the entrepreneur or for the investors. If you wait and hold those funds until they are ready, there is a higher probability of succeeding.

CHAIR NEAL:
We will close the hearing on A.B. 41 and open the hearing on A.B. 448.

ASSEMBLY BILL 448: Revises provisions governing the real property transfer tax. (BDR 32-938)

ASSEMBLYMAN STEVE YEAGER (Assembly District No. 9):
I brought a copy of *Understanding Nevada's Property Tax System* with me today in memory of Carole Vilardo. I do not know what position she would have on this bill, but I think she would likely support A.B. 448. This bill seeks to eliminate a tax loophole.

Real Property Transfer Tax (RPTT) does some important things for us as a State. Proceeds from the tax go to local governments, the Affordable Housing Trust Fund, school districts as well and some to the General Fund. In this upcoming biennium, it is estimated that the tax will generate $241 million or 2.1 percent of the General Fund revenue. What is this bill attempting to do? This bill is attempting to eliminate a loophole.

Recently, some high-profile transfers of real property, particularly in the Las Vegas Strip area occurred where folks—though not doing anything illegal—have been creative in transferring property. Usually that comes in the way of a company setting up a subsidiary or an affiliate and then transferring the property there. An exemption in the law exists for that, so no RPTT is paid, and the acquiring company simply acquires the entity itself.

I was not aware this was happening until I read about it in the paper, so thank you to our reporters for shedding light upon it. It is hard to know how much RPTT we would have captured if these things had been structured and taxed appropriately, but these are large sales, particularly around the Las Vegas Strip. Christine Hess is here for the Nevada Housing Coalition, and she has some numbers to share.

As best I can tell, approximately 24 sales have happened in and around the Las Vegas Strip since 2007. That long period of time amounts to about $27.5 billion with exactly zero paid in Real Property Transfer Tax. Though nothing illegal, this loophole can be taken advantage of by sophisticated entities. This does not happen all the time, but I want to highlight a couple transactions done the way the law intended. The Fontainebleau $600 million sale generated $3 million in RPTT. When the Las Vegas Raiders acquired the land on which they built the Allegiant Stadium, that $177.5 million transaction resulted in $395,000 of RPTT.

The bill is pretty straightforward in what it does. It takes the existing exemption in section 1, subsection 1 and says this exemption does not apply if the real property was transferred for the purpose of avoiding the Real Property Transfer Tax. County clerks are the ones who would make this determination, and I would anticipate the Department of Taxation would regulate how this type of transaction would be interpreted and applied.

At a hearing, the Assembly Committee on Ways and Means absorbed the fiscal note, and the Attorney General is helping to draft a portion of that. I am proud that the Assembly vote was 42 to 0.

I want to close a loophole. I am not saying it is going to solve all the problems in the world, but it at least gives our clerks and Department of Taxation the ability to peel back a couple layers of that onion and verify if the transfer was solely for the purpose of avoiding the tax. They would make sure that the State, the county and affordable housing gets the taxes appropriately due under the law.

CHRISTINE HESS (Executive Director, Nevada Housing Coalition):
The Nevada Housing Coalition is a Statewide nonprofit to promote and advance affordable housing. I am here to express the Coalition's strong support of A.B. 448. The Real Property Transfer Tax plays a critical role in making good projects happen, affordable housing that the market cannot and does not build. There are multiple recipients of the distribution, and one of those is low-income housing with $.10 per $500 value or a fraction thereof to be distributed into the Account for Affordable Housing. Building affordable housing requires financial expertise and a capital stack a lot like lasagna, many layers of different funding sources coming together. Most of these funding sources come from or through the federal government in the form of grants, loans or tax credits and as such have strict compliance components. With the cost of labor and land showing no signs of slowing here in Nevada plus supply chain issues and inflationary pressures, nearly all affordable housing projects need a flexible funding source to close the gap and bring quality affordable housing projects to completion—our Account for Affordable Housing or Affordable Housing Trust Fund.

Annual RPTT collected and utilized for affordable housing varies, but over the past five years, it has ranged roughly from $6 million to $10 million. Every year, these funds are exhausted as the Housing Division funds the gap for affordable housing projects to close. Based on reporting by the *Las Vegas Review-Journal* this past summer, it is estimated that the amount of Real Property Transfer Tax not collected from the large gaming deals could have been an additional

$23 million to $25 million for affordable housing in our State. Every $3 million leverages about $60 million, which means we could have left more than $400 million on the table. How many affordable homes did not get built? It is not a new tax or fee; we are simply collecting what is due. We have an affordable housing crisis, and A.B. 448 will be effective for Nevadans in need.

NIC CICCONE (City of Reno):
Ditto.

ARIELLE EDWARDS (Nevada HAND, Inc.):
We echo the comments made by the Nevada Housing Coalition. We urge passage of A.B. 448.

SHELBIE SPORTS (Battle Born Progress):
We are in support of A.B. 448. The Real Property Transfer Tax plays a critical role in making good projects happen, such as affordable housing, and this bill will make a difference for Nevadans in need.

CHAIR NEAL:
We will close the hearing on A.B. 448 and open the hearing on A.B. 62.

ASSEMBLY BILL 62: Revises provisions governing property tax exemptions for low-income housing. (BDR 32-362)

ASSEMBLYWOMAN SANDRA JAUREGUI (Assembly District No. 41):
I am here as Chair of the Advisory Committee on Housing. This Committee was established in 2019 and previously chaired by Senator Julia Ratti. I had the pleasure of being appointed to the Committee in 2022. By the time I was appointed, the Committee had already done all the hard work to narrow down the priority to select our one bill draft request (BDR). Assembly Bill 62 is the product of the Committee's work during the Interim to address matters relating to housing. This BDR specifically relates to affordable housing and revises property tax exemptions. The real subject matter experts will walk the Committee through the bill. After the presentation, Dylan Shaver will go through a proposed amendment I have agreed to accept and consider a friendly amendment.

MS. HESS:
Assembly Bill 62 revises statute to allow for a property tax exemption on qualified low-income housing projects currently done solely by money appropriated through the federal HOME Investment Partnerships Act or HOME funds. The bill will streamline financing of affordable housing by allowing five other sources of funding to trigger the property tax exemption. This is not an expansion of the property tax exemption but rather an expansion of the sources of funds that trigger the property tax exemption.

The five additional funding sources proposed in A.B. 62 include: Low-Income Housing Tax Credit; the State Affordable Housing Trust Fund; federal Housing Trust Fund; Section 811 federal funding and the U.S. Department of Housing and Urban Development (HUD) 202 program. Those first three I mentioned—the State Affordable Housing Trust Fund, the federal Housing Trust Fund, and Low-Income Housing Tax Credit are commonly used in affordable housing. The last two, Sections 202 and 811, less so but definitely still play a part.

It typically takes five or more sources of financing for affordable housing development. The HOME funds proportionately represent a small part of the capital stack. They are important, but their real significance comes in the property tax exemption they trigger. We are seeing HOME funds sprinkled into all projects. This is not going to change, but they are not being used as effectively as they could be. Our State utilizes HOME funds primarily to trigger the property tax exemption, which is absolutely critical to maintain ongoing operations of a project that has below-market rents for 30 years or more. Other states might use their HOME funds for rental assistance or security deposits or other eligible housing uses. Not only are we streamlining this process, but we are also freeing up HOME funds to be leveraged by our communities differently.

To give you an idea of the HOME fund allocation from HUD, in 2022, $4.6 million went to Clark County, $750,000 to Henderson, $2.6 million to Las Vegas, $1.6 million to Reno and $3 million to the Housing Division to cover the balance of the State. These HOME funds are also subject to annual congressional approval, so they are at risk. If Congress cuts this program, it will essentially halt affordable housing development in our State.

The original intent of using HOME funds to trigger the property tax exemption was since the HOME program required a local financial match, the exemption served as that match. Since the original law was enacted, our communities can meet the HOME match requirements in other ways. However, the property tax exemption is absolutely critical for the financial feasibility—good policy, more affordable housing, more quickly, less costly and no additional cost to the State than what is already being incurred.

SENATOR SEEVERS GANSERT:
We have had several hearings on the State program for affordable housing and you referenced below-market rents. Will you explain more about those levels that qualify for below-market rents?

MS. HESS:
The programs all have their own requirements. The Low-Income Housing Tax Credit, our most popular program, serves households with incomes at or below 60 percent of area median income. The federal Housing Trust Fund, for example, targets more deeply subsidized units. Those usually go below 30 percent of area median income.

SENATOR SEEVERS GANSERT:
The point was the spectrum of anywhere around 30 percent to 60 percent of area median income to qualify.

CHAIR NEAL:
The Office of the State Treasurer's fiscal note said it cannot quantify the impact. So there is an impact on property tax, but no one can ascertain what that is.

MS. HESS:
It would be difficult to quantify. It depends on our affordable housing production and preservation. However, every project built—the last 6,000 units at least—had a property tax exemption because each has some HOME funds in them.

CHAIR NEAL:
Let us say you have a 30-year period on it; after that 30-year period, does the property tax revert back to that local jurisdiction? That was a concern when I heard about this bill during the Interim. I want to know the actual local impact on the revenue they expect to receive or revert back to them because now there will be no reversion.

MS. ELLIOTT:
It is a blended solution from the standpoint of quantifying your question. Many times, an affordable housing project has the 30-year, cradle-to-grave Low-Income Housing Tax Credit that is applicable. At the 15-year mark, an organization can go in and do a rehab to the project which extends the life of the Low-Income Housing Tax credit applicability. We have seen a 0- to 30-year project fall off in northern Nevada that became a market-rate project. That project—because they chose not to continue on with the 30-year applicability extended after 15 or 20 years—then became a regular property tax market-rate project. It depends on the nonprofit set. For the most part, those building today intend to keep those projects affordable. The issue is they do have the choice of whether to maintain that property tax exemption, but they also have to commit to keeping those rents at or below market rate.

DYLAN SHAVER (City of Las Vegas):
We have proposed an amendment (Exhibit D) to Assembly Bill 62 that the bill sponsor was gracious enough to accept. The City of Las Vegas does support the bill as drafted. What we did was ask the Assembly Majority Floor Leader for help finding a vehicle for the concept I am about to discuss.

Our proposal is to expand existing authority granted to municipalities and counties by *Nevada Revised Statutes* (NRS) 278C, which allows these municipal entities to create tax increment zones to fund certain improvements for the benefit of the community. We are adding the concept of transit-oriented development to the list of applicable uses of that tool. The City of Las Vegas is uniquely situated among municipalities in that the City is entirely landlocked. To grow, the only way to bring in affordable housing to the municipal boundaries is to build up and to build more dense development for affordable housing; these are naturally denser anyway. The challenge then becomes one of infrastructure and transportation. When we add density to something like the East Charleston Corridor, the roads were not designed to support that. To truly flourish within the economic opportunities, the City may provide the idea of improving or developing transit to people who may live in this area as well as housing for them at the same time. This amendment allows the City to engage in that work and does so simply by adding some definitions to a tool the City already has at its disposal.

We have worked with many stakeholders on this throughout the Session. This is a fairly straightforward change to address what is a critical problem, not just in the City of Las Vegas but across the State.

CHAIR NEAL:
This has the tax increment district. I remember this from when I served on Senate Committee on Government Affairs. You have your water projects and then you add multifamily housing. In the amendment under NRS 278C.140, you added affordable housing project as defined in NRS 278.0105. Talk to me about that being rolled under NRS 278C.

MR. SHAVER:
Under NRS 278, we go into affordable housing. Increment financing districts under NRS 278C are narrow in their scope. We want to ensure that our authority to engage in these developments carries over when we establish these districts, pursuant to NRS 278C rather than pursuant to some other mechanism.

CHAIR NEAL:
Talk to me about NRS 278C.260 in the application to this language. In NRS 278C.260, titled limitation upon revenue from taxes ad valorem not applicable, it says the allowed revenue from taxes ad valorem is then pursuant to NRS 354.59811 but does not apply to tax increment areas. Your ad valorem is not capped in regard to projects you want to do. I do not know if Fiscal can address that or if you can address that?

MR. SHAVER:
I am quickly doing a little research here, but if the Fiscal Division has an answer at the ready, I will certainly entertain them. As far as I know, NRS 278C.260 generally applies to any improvement we do under this chapter, and we would not envision it affecting us any differently for these uses.

CHAIR NEAL:
Does Fiscal have something to add?

MICHAEL NAKAMOTO (Chief Principal Deputy Fiscal Analyst):
Maybe.

CHAIR NEAL:
I will give you time to research that. Mr. Shaver, please talk to me about the crossover of this amendment language to NRS 279.425, which is the affordable housing language for the Community Redevelopment Law. Are you saying that the City of Las Vegas will now be able to use tax increment areas under NRS 278C for affordable housing and in addition to NRS 279.425?

MR. SHAVER:
Yes, the redevelopment area is a separate agency that the City sets up and backs. Under NRS 278C, local improvements are more streamlined. Essentially, we would pursue the option to address these issues through either mechanism based on what the community needs are at the time and what makes sense in incentivizing developers and others to come in and do the work.

CHAIR NEAL:
Does the City of Las Vegas still have a moratorium on affordable housing? It had a moratorium in 2017. I brought this concept up because I argued over the City using its redevelopment dollars, the portion of its 18 percent. There was 9 percent set aside for affordable housing; under NRS 279, the City had 9 percent flexed in order to run schools. Are we now saying that instead of pulling out the 9 percent designated for schools, the City now wants to go into another chapter, NRS 278C, and do affordable housing?

MR. SHAVER:
I need to get back to you on a couple of ideas in there. I do not know whether the ordinance you referenced is actually happening.

KELLY CROMPTON (City of Las Vegas):
To my understanding, we passed an affordable housing ordinance within the last six months. So no, we do not have a moratorium on affordable housing.

CHAIR NEAL:
Why are you guys trying to operate under NRS 278C when you could just pull back. How much is your set aside going to schools?

MS. CROMPTON:
We have 18 percent set aside, 9 percent going to affordable housing and 9 percent going to schools.

CHAIR NEAL:
Exactly. Why are you not willing to pull back the 9 percent and do affordable housing as originally part of NRS 279? You know why I am saying this.

MS. CROMPTON:
I would have to get back to you on that. That set aside is for redevelopment areas only that statute designates. As we look at utilizing this tool, it could be used in different areas.

CHAIR NEAL:
My understanding is that this particular amendment was attempted for Assembly Bill 10, but that bill died. Are we trying to find another vehicle for language that died in A.B. 10? Is that accurate?

ASSEMBLY BILL 10: Authorizes the designation of a tax increment area for certain transportation and housing reinvestment purposes. (BDR 22-383)

MR. SHAVER:
You have a significantly pared back version of what the City proposed in A.B. 10. The timing did not work out on that measure, but we sat down and sharpened the pencils to see what we really needed there.

That is how you end up with the language before you. To your previous line of questioning, NRS 278C is a more flexible vehicle than NRS 279. Chapter 279 of NRS and redevelopment areas are big and unwieldly, whereas the options available to cities in NRS 278C are a little more flexible. We are in a position to achieve results both more quickly and robustly than setting up an entire redevelopment agency.

CHAIR NEAL:
I understand. Talk to me about the transportation project in Exhibit D for NRS 278C.140, subsection 2, paragraph (g).

MR. SHAVER:
As mentioned in my initial conversation, we have to focus on transit and high-density housing as developing in conjunction with one another. If we start building high-density projects where the transit infrastructure does not exist, we further clog the roads and are unable to create opportunities that maybe move us away from automobile transit altogether. The idea is to tie these two ideas

into one place. Whether it is the developer working with the Regional Transportation Commission of Washoe County or the City proper, expanding transit options into these areas at the same time we expand affordable housing ensures residents' access to economic opportunities across the Las Vegas Valley. We do not want to engage in such development recklessly causing problems for existing communities or burden the street or other transit options.

CHAIR NEAL:
My government affairs is all coming back to me. I remember the sewer project, the street project, the overpass project. There may be fiscal impact fees. I am trying to remember what they are called. They are still in NRS 278C. Is there an overlap to those fiscal impact fees? Are you allowed to assess an impact fee to residents or not?

MR. SHAVER:
Municipalities can engage in impact fees or sewer fees, as you describe, typically with an enterprise fund attached. That separate part of law does not overlap with what we are trying to do here today.

MS. EDWARDS:
Assembly Bill 62 modernizes property tax exemptions for affordable housing. An affordable housing project must utilize HOME funds which result in an inefficient utilization of those funds and added time and cost for an affordable housing project. The proposed language in A.B. 62 will add other regulatory funding sources to trigger property tax exemptions for an affordable housing project. Affordable housing is a critical issue across our State, and ensuring its availability has far-reaching positive effects on our communities. It is essential to consider the long-term cost of not having this bill in statute. The development community and affordable housing community have worked hard on the proposed language to remove as many barriers as possible to the development of affordable housing within our State.

MR. CICCONE:
This bill will reduce some of that administrative burden we experience through the HOME Consortium in giving out HOME funds to the projects just so they can qualify for property tax exemptions. It will also free up those HOME funds so we can give them to projects that actually need them.

NICOLE ROURKE (City of Henderson):
We are also here in support of A.B. 62. We like the provision that extends the time to which those units will be affordable. We are also supportive of the amendment presented by the City of Las Vegas.

MENDY ELLIOTT (Reno Housing Authority; Nevada Rural Housing Authority; Southern Nevada Regional Housing Authority):
We are in support as we work to develop affordable housing projects throughout the State. This tool will be utilized, and you will see the benefit as projects come online.

JOANNA JACOB (Clark County):
Clark County was neutral on the original bill without the amendment. We worked with Assemblywoman Jauregui on this in the Interim, were aware of the amendment and worked with her in a collaborative way. As Mr. Shaver noted, yes, it was a surprise to see this amendment today. We learned about it 15 minutes prior to the hearing. Things are moving quickly; I do not say that in a loaded way, but we did work with the City on A.B. 10, as you noted Senator Neal, which was a bill pending in the Assembly Committee on Government Affairs. We are neutral because you said there are more conversations about this, and I have asked the Assemblywoman if we could be in the conversation. We did file a fiscal note on A.B. 10, also undetermined. We are working with the City of Las Vegas as this is one of its initiatives for transportation and affordable housing.

This bill is enabling for all cities. The County would see the impact in juggling multiple ordinances in multiple cities, creating these tax increment areas all at once. We would see that in Year 2 because an ordinance would be created to define a base year, and then the property tax would be redirected in Year 2.

Property tax in our community does fund regional services such as indigent care, the Clark County general fund, along with the City general fund depending on which tax district you are in. We will have to keep an eye on this. A process in NRS 278C notifies impacted homeowners, and we have tried negotiating with the City on whether there could be a process that also notifies the County. We will continue to work on it and would like to be part of those conversations.

ASSEMBLYWOMAN JAUREGUI:
Assembly Bill 62 was the product of our work on the Advisory Housing Committee. I support the measure and am happy we decided to move forward with that policy issue. Housing is a big issue this Session. As copresenter, Ms. Hess said by freeing up HOME funds for other uses, these projects will still qualify for the property tax exemption but allow the use of HOME funds for other needs like rental assistance and more. I thank the Committee for allowing the amendment to be heard as well. Whenever we talk about housing, any opportunity to advance our other policy issues that would help benefit affordable housing is worthy of discussion. Knowing I had a vehicle, I was open to letting them present the amendment to allow the discussion to continue. Not only will it help with affordable housing, but my conversation with one of the city councilwomen pushed me to help bring it forward. She said these opportunities have been successful in other jurisdictions, most recently in Texas where it has helped in curing the homeless problem.

CHAIR NEAL:
We will close the hearing on A.B. 62 and open the work session on Senate Bill (S.B.) 496.

SENATE BILL 496: Revises provisions relating to the film industry. (BDR S-1039)

CHRISTIAN THAUER (Deputy Fiscal Analyst):
The work session document (Exhibit E) reflects bill sponsorship by Senator Roberta Lange, the hearing in this Committee on May 16, 2023, and bill summarization. Senate Bill 496 creates two new film infrastructure tax credit programs for the Las Vegas Media Campus Project and the Summerlin Production Studios Project. The bill also amends the existing noninfrastructure tax credit program for films in statute.

Page 1 of the work session document summarizes provisions in the bill as introduced for the Las Vegas Media Campus Project. Page 2 does so for the Summerlin Production Studios Project and also addresses provisions in the bill governing both projects. Page 3 runs down the amendments and how they affect the bill and existing film tax program.

CHAIR NEAL:
After review of the amendments, additional comments need to be made with further conversation regarding diversity, equity and inclusion (DEI). I had a conceptual amendment (Exhibit F) to deal with keeping wages in the State for the Modified Business Tax (MBT) and for the Nevada residency requirements to start at a minimum of 25 percent and then growing by 2 percent up to 50 percent. This bill is complex; we have to continue to work on amendments for one cohesive amendment to determine what is best for the State.

My motion is to amend and re-refer to Finance.

SENATOR SEEVERS GANSERT:
Is your entire amendment to be amended into this or something related?

CHAIR NEAL:
I still need to discuss portions of the bill with the sponsor. I want the DEI and the MBT portion in the bill, and I want the Nevada residency. When we heard the bill, we heard a lot from the film groups that the unsuccessful component in the 2017 program was making sure Nevada residents could participate in any production here for below the line and they would be allowed to work. We want to get that part correct in terms of residency, knowing we do not have a full film crew but at least be allowed to build up to the 50 percent.

The MBT has to be a part of it. I want some of the wages to stay in the State instead of all walking out the door. One conversation was about the film industry coming here and then the wages leave, and we do not capture any of it. That is not in our interest as a State to host an industry and then not get any direct benefit from the wages or allow our employees to work. The original bill had a 60-day residency window, but we want to make sure the residency is bona fide versus someone who comes in for 60 days, gets residency and then becomes a qualifier. A lot has been going on with this bill, and there is more work to be done.

SENATOR SEEVERS GANSERT:
You were talking about what we learned was below-the-line employees versus above the line. In the Exhibit F language that talks about lead or significant supporting actors, it looks as though some requirements concern the general ensemble cast and main storyline subject matter. I do not know if we have really talked about that or heard that before. When you say you want to amend

and do pass, are you amending this into it or are you passing it as is with these as proposed amendments?

CHAIR NEAL:
I want to continue to work on proposed amendments. The only one to amend into this right now will be the technical amendment in the work session document. The DEI came from the Oscars website by the Academy of Motion Picture Arts and Sciences. Mr. Nakamoto?

MR. NAKAMOTO:
The technical amendments Chair Neal refers to are in the Summary of Proposed Amendments (Exhibit G) to S.B. 496 prepared by the Fiscal Analysis Division. These are primarily technical amendments that staff discovered while going through the bill itself. There are a couple of changes as well that the Chair requested relating to provisions of the bill.

The first one in section 12, subsection 1 deals with the ability for Zone 1 to apply for credits. They are lining up the dates with when they meet their initial capital investment requirement and may not apply for credits until they meet all of the requirements. But because the bill gives the authority for Zone 1 to start receiving credits as soon as that initial capital investment is made on or before December 31, 2027, the technical amendment allows them to begin to apply for credits as soon as they meet that requirement rather than having to wait until the end to get those lined up.

Section 12, subsection 9, is proposed to be deleted. Those are the refundability provisions for the credits, and that removal request is at the behest of the Chair. Section 16, subsection 1, paragraph (c) and section 36 go hand-in-hand. Upon our review of the bill, no language provided a sunset if Zone 1 never met the initial capital investment requirement. Basically, this says that in the event this does not occur, then the Zone 2 credits would expire by limitation or there could not be an approved application for any of the Zone 2 credits on or after June 30, 2048. Then the sunset date would follow ten years after that. Section 36 moves that 26-year window after the Zone 1 meets that initial capital investment requirement to 30 years to give some additional time in case of delays in getting these applications approved. Companion language says if Zone 1 never makes that initial capital investment, then provisions of the bill expire by limitation on June 30, 2058, or ten years after the deadline for

Zone 2, in the event that Zone 1 never makes that capital investment requirement.

The next proposed amendment to the bill in section 16, subsection 2 is the consumer price index adjustment for Zone 1 and Zone 2 that would begin in fiscal year 2030–2031. This amendment was proposed to delete that.

Section 16, subsection 4 language specifies that credits expire six years after the calendar year in which the credits are issued to the production company rather than the six-year anniversary date. That is consistent with other tax credit programs that expire on December 31, 2023, rather than the anniversary of the issue date. Section 21, subsection 8, deletes the existing tax credit program refund to mirror the deletion of similar provisions in section 12, subsection 9. Section 22 is the current tax credit program for the noninfrastructure credits.

There is a technical change to the draft because no language would switch the base calculation—which goes from 15 percent to 30 percent for the 20-year period listed in the bill—back to 15 percent after that 20-year period expired. The amendment adds that language in so it does switch back.

CHAIR NEAL:
We plan to amend Senate Bill 496 with the amendments proposed by the Fiscal Analysis Division in Exhibit G and re-refer to Senate Finance, as we continue to work on other amendments.

> SENATOR DOÑATE MOVED TO AMEND WITH THE AMENDMENTS PROPOSED BY THE FISCAL ANALYSIS DIVISION AND RE-REFER S.B. 496 TO THE SENATE COMMITTEE ON FINANCE.
>
> SENATOR SEEVERS GANSERT SECONDED THE MOTION.
>
> THE MOTION CARRIED. (SENATOR BUCK VOTED NO.)

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CHAIR NEAL:
We will continue to work on S.B. 496. The Committee has also received a proposed amendment (Exhibit H) from Helen Foley on behalf of Jeremy Renner. The hearing on S.B. 496 is closed. This meeting is adjourned at 3:04 p.m.

RESPECTFULLY SUBMITTED:

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Janet Stokes,
Committee Secretary

APPROVED BY:

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Senator Dina Neal, Chair

DATE:______________________________

EXHIBIT SUMMARY				
Bill	**Exhibit Letter**	**Introduced on Minute Report Page No.**	**Witness / Entity**	**Description**
	A	1		Agenda
	B	1		Attendance Roster
A.B. 41	C	3	Karsten Heise / Governor's Office of Economic Development	Presentation
A.B. 62	D	16	Dylan Shaver / City of Las Vegas	Proposed amendment
S.B. 496	E	22	Christian Thauer	Work Session Document
S.B. 496	F	23	Senator Dina Neal	Conceptual Amendment
S.B. 496	G	24	Michael Nakamoto	Proposed Amendments
S.B. 496	H	26	Senator Dina Neal	Proposed Amendment from Helen Foley on behalf of Jeremy Renner