

**MINUTES OF THE MEETING OF THE  
ADVISORY COMMITTEE TO THE LEGISLATIVE COMMITTEE FOR  
LOCAL GOVERNMENT TAXES AND FINANCE  
August 19, 2004**

The meeting of the Advisory Committee to the Legislative Committee for Local Government Taxes and Finance (NRS 218.5388 to NRS 218.53886, inclusive) was called to order by Guy Hobbs, Chairman, at 9:01 a.m. on August 19, 2004, at the Grant Sawyer State Office Building, Room 4401, 555 East Washington Avenue, Las Vegas, Nevada and via simultaneous video conference at the Legislative Building, 401 South Carson Street, Room 3137, Carson City, Nevada.

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**ADVISORY COMMITTEE MEMBERS PRESENT IN LAS VEGAS:**

Guy Hobbs, Chairman  
Marvin Leavitt, Vice-Chairman  
Mike Alastuey  
Phil Stoeckinger

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**ADVISORY COMMITTEE MEMBERS PRESENT IN CARSON CITY:**

Bob Anderson  
Charles E. Chinnock  
William B. Horn  
John Sherman  
Claudette Springmeyer  
Dawn Stout  
Terri Thomas

**LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:**

Richard Combs, Deputy Fiscal Analyst, Fiscal Analysis Division  
Kim Marsh Guinasso, Legislative Counsel  
Becky Lowe, Secretary, Fiscal Analysis Division

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**EXHIBITS:**

**Exhibit A:** Meeting Notice and Agenda.

**Exhibit B:** Attendance Record.

Because of their size, the exhibits are not attached to these minutes; however they may be reviewed in the Research Library of the Legislative Counsel Bureau, Carson City, Nevada, phone number (775) 684-6825.

**I. CALL TO ORDER – OPENING REMARKS.**

Chairman Hobbs called the Advisory Committee meeting to order at 9:01 a.m. and asked the secretary to call roll. All Advisory Committee members were present.

**II. APPROVAL OF THE JULY 29, 2004 MEETING MINUTES.**

Phil Stoeckinger asked whether it was Marvin Leavitt or John Sherman who made a motion on the consolidated tax issue mentioned on page 8 of the July 29, 2004 meeting minutes. Mike Alastuey recalled that Mr. Sherman made the motion on that issue and Mr. Sherman agreed.

Mr. Alastuey asked about a reference on page 11 of the July 29, 2004 minutes regarding real estate prices in Clark County in February of 2004. He asked whether the speaker, Mark Schofield, Clark County Assessor, meant \$290,000 per acre rather than \$290 per acre that was printed in the minutes. (Subsequently, the figure of \$290,000 per acre was confirmed with the Clark County Assessor's Office.)

VICE CHAIRMAN LEAVITT MOVED TO APPROVE THE MINUTES OF THE JULY 29, 2004 MEETING.

THE MOTION WAS SECONDED BY MIKE ALASTUEY.

THE MOTION CARRIED WITH NO OPPOSITION.

**III. DISCUSSION AND POSSIBLE ACTION REGARDING PROPOSAL TO AUTHORIZE COUNTIES AND CITIES TO CREATE TAX INCREMENT AREAS TO DEFRAY THE COST OF PROJECTS FOR ECONOMIC DEVELOPMENT AND PUBLIC INFRASTRUCTURE.**

Chairman Hobbs recalled that the idea of tax increment areas had been discussed for several years by the Advisory and Legislative Committees. As a result of that discussion, the Committee produced the BDR that became S.B. 266; however, the Senate Taxation committee did not pass the bill after a brief hearing during the 2001 Legislative Session. Chairman Hobbs attributed the failure to adopt the bill to mechanical issues and confusion about the bill's purpose. He explained that the bill delved into the details of redevelopment and tax increment issues. Typically those kinds of complex issues required that advance information be provided to the legislators from the Advisory Committee members, but that was not done. Chairman Hobbs has since been told by certain members of the Advisory Committee, local government representatives, the Nevada Taxpayer's Association and others that continuing to pursue the proposal was a worthwhile goal.

Chairman Hobbs asked the Advisory Committee members whether they agreed that it was a worthy goal to pursue. He did not think they would be able to put a BDR forward in time for the 2005 Legislative Session, but they could continue to work in the meantime. He told the Advisory Committee members that it would require effort on their part to produce an understandable BDR that could withstand a thorough hearing. He then opened the topic for discussion.

Terri Thomas suggested that they look at the issue and if it proved meritorious they would then make a decision. Ms. Thomas asked for a quick synopsis of the issue's background.

Chairman Hobbs said that they sought to create an alternative to tax increment financing solely for redevelopment purposes. He thought there might be application for either economic development or the building of infrastructure in advance of attracting corporate clients.

Chairman Hobbs explained that the bill put forth to the 2001 Legislature only considered tax increment from property tax. He predicted that, at some point it might be expanded to revenues other than property tax. He used the City of Anaheim and Disney financing as an example. Disney planned an expansion that would cause parking and traffic issues. He said that it was an economic development issue, but also an infrastructure issue. He explained that they would be able to pledge the tax increment, not just from property tax but also from the increased retail activity. Chairman Hobbs thought that the arrangement also provided for the pledge of room tax revenue against the century bonds that built the infrastructure improvements that

allowed for the development to take place. He believed the City of Anaheim/Disney financing also included fuel tax, but did not believe that the State of Nevada would be interested in that approach.

Chairman Hobbs explained that the proposal was a departure from the way tax increment for redevelopment was traditionally done. The proposed policy would allow a partial increment to be used. The debt coverage would be used for the associated cash flows. He said that there may be cases where overlap in an existing redevelopment area set to expire would be beneficial if that project crossed over boundaries. He thought the financing model would have general application.

Chairman Hobbs predicted that it would first be used in a rural area for economic development purposes because the rural areas have expressed tremendous interest in the concept. One application could be to a newly developing area in southern Nevada where tax increment financing might be used to develop infrastructure. Instead, they made do with the special improvement district process that was available at the time.

Chairman Hobbs concluded by stating that he did not know whether there would be an immediate application for the proposal. He suggested that it would make sense to have the tools in place in advance of needing them as opposed to needing them and not having them.

Ms. Thomas thanked Chairman Hobbs for the background information. She agreed with the idea of having a tool in place before it was needed, but she worried that if they crafted a tool without knowing its ultimate purpose, they might end up with a tool that was not as useful as hoped. For example, she mentioned the sales tax anticipated revenue bonds, otherwise known as the Star Bond legislation (S.B. 495), adopted during the 2003 Legislative Session. She said that for various reasons the legislation was embedded in chapter 271 in the special assessment district law section. Similar legislation was very successful in Kansas City, Kansas. However, Nevada's legislation differed in that it did not include the maximum benefit analysis or assessment liens. Ms. Thomas concluded that, as a result, the City of Sparks was struggling to make that tool work for a developer involved in a major project. The same developer had successfully made use of the Kansas version of the Star Bond.

Mr. Hobbs agreed with Ms. Thomas' comment. He suggested that, as opposed to applying the policy broadly, if the immediate application was related to economic development, they move forward to establish the foundation. He warned that could be a problem for counties with population under 100,000. Chairman Hobbs said that if the Committee chose to pursue this goal, it would take several sessions to have all of the parts of the legislation in place.

Claudette Springmeyer supported the idea saying it would have been helpful to have that tool during the Douglas County redevelopment. She suggested that this tool would be of assistance to other rural areas working on economic development. She understood that a population cap might be necessary. Ms. Springmeyer agreed that they would need to study S.B. 266 from the 2001 Legislative Session.

Chairman Hobbs said that he would send a copy of S.B. 266 to the Advisory Committee members via email. He asked that they review it and send their comments to him. He did not think that they would be ready to make a recommendation for a BDR to the Legislative Committee for the 2005 Legislative Session.

Chairman Hobbs said that part of the problem with the bill during the 2001 Legislative Session, aside from it being very complex, was that there was not enough advance education and selling. Otherwise he thought they probably could have at least had a longer hearing.

Ms. Thomas noted that a copy of S.B. 266 was included in the meeting packet for the Legislative Committee (Exhibit C) on page 145.

Chairman Hobbs asked Advisory Committee members to send their comments to him so that a revised draft of the BDR could be circulated.

Ms. Thomas said that one problem they had in Marina Area in the City of Sparks was that it did not fit the definition of a redevelopment area. Rather, it had been raw land that was used as a gravel pit. It filled with water during the 1997 New Years Day flood and as a result was made into a marina and park. The City of Sparks may have the first redevelopment agency with a project from agricultural deferral. She thought the Marina Area was probably the type of project for which a tool like this was meant.

Chairman Hobbs agreed that the Marina Area was the kind of project they envisioned for this purpose. He recalled another project for which a tax increment area would be well suited. Chairman Hobbs said that the Las Vegas Strip Beautification Project was the development of the medians that extended from unincorporated Clark County into the City of Las Vegas. There was already a redevelopment area in the surrounding area with some overlap. Chairman Hobbs said they would have had a much less arduous job had they been able to establish a tax increment area. Instead, they used a special improvement district and were required to have each property owner agree to the provisions.

Chairman Hobbs pointed out that the Las Vegas monorail project may have benefited from a tax increment area also. He noted that the monorail corridor did not fit the definition of redevelopment, but a special improvement district could not be used because a method of transportation improvement could not be agreed upon. Chairman Hobbs said that although he had not spoken to the monorail developers or the Regional Transportation Commission on the subject, he thought that it would have application.

Chairman Hobbs stated that in addition to new areas scheduled for development, the tax increment area could be another method for getting infrastructure as the new property came onto the rolls. He predicted that there would be many applications for the tax increment area. Still, he wanted to be sure that the effort was worthwhile. Chairman Hobbs said that he thought it would be, but that idea obviously wasn't shared by the Legislature during the 2003 Legislative Session.

Mr. Leavitt said he remembered the problem with the legislation was not the concept behind the bill, but concerns about details that could not be fixed during session. He did not think there was much disagreement among the legislators regarding the value of the underlying concept. He thought that the bill could be fixed to eliminate the technical problems.

Chairman Hobbs agreed that the technical problems were fixable. He recalled that he and Kim Guinasso discussed some fairly simple fixes to the bill. He mentioned that the Nevada Taxpayers Association was supportive of the concept and saw a benefit in aggregating the tax increment and redevelopment statutes of the one particular area. The Committee could present the issue through a bill, or the Nevada Taxpayers Association could raise the issue by some other means. In either case, Chairman Hobbs predicted that they would be facing the issue in the future.

Mr. Alastuey said he thought that the tax increment area bill would be well worth pursuit regardless of what kind of amendment S.B. 266 might require. He commented that the Advisory Committee members have worked on both sides of the dais. They have worked for local governments learning about and reviewing certain transactions. He commented that there have been occasions when redevelopment law and special improvement districts were used in situations that would have been more cleanly addressed by a statute specific to economic development, as opposed to redevelopment or special improvement district laws. Mr. Alastuey said that he was aware of a northern county where redevelopment law was analyzed in a "prismatic" method in order to enable economic development. He said that it would be far better to have

statutes in place that were suited to that sort of thing, and he supported the effort completely.

Chairman Hobbs said that if the general feeling was that it was a worthwhile pursuit, the Advisory Committee would do that. He asked the Advisory Committee members to let him or Mr. Combs know if they needed an electronic copy of the bill. They would then put together an improved version that dealt with the mechanical shortcomings of S.B. 266.

There being no further comment on the topic, Chairman Hobbs moved to the next agenda item.

**IV. DISCUSSION AND POSSIBLE ACTION REGARDING PROPOSALS TO PROVIDE REQUIREMENTS FOR ENACTMENT OF PROPERTY AND SALES TAX EXEMPTIONS AND TO REVISE PROVISIONS RELATING TO VARIOUS EXEMPTIONS FROM TAXES.**

Mr. Alastuey said that on several occasions various versions of SJR 1 of the 17<sup>th</sup> Special Session were circulated. There were a number of issues brought forth by those concerned with taxes, including Ms. Vilardo and Ms. Lusk who gave testimony before the legislature on whether “and” or “or” should be used in the list of requirements for the enactment of exemptions. Included on page 163 of the meeting packet prepared for the Legislative Committee (Exhibit C) was another revised version of SJR 1. Mr. Alastuey said that the language was fixed so that there was a balancing test including a specific enumeration of findings and determinations that the legislature would have to undergo before an exemption could be enacted. It would be a requirement that the exemption achieve a bona fide social and economic purpose, the expected benefits of which were demonstrated to exceed any adverse effect on services. There was some repetition from the previous version in that the Legislature would be required to ensure requirements for claiming exemptions were as similar as practicable.

Mr. Alastuey explained that at the time of enactment the Legislature would establish a sunset date for each exemption. He explained that there had been discussion among the Advisory Committee members as to whether a specific sunset interval should be set for all exemptions. The result of that discussion was that the Advisory Committee thought that sufficient flexibility would be given to the legislature if the bill simply proposed that a sunset be established. The sunset could be established far into the future or at a short interval.

Mr. Alastuey concluded by stating that the revised BDR was a product that could be put on the shelf for now until the public had a chance to vote in November on the two percent sales tax exemption on a number of sales including certain components of race cars, aircraft, certain fine art and occasional sales. He said that the Advisory Committee felt that further work on individual exemptions should be deferred until at least after the General Election.

Chairman Hobbs asked for comments or questions.

Mr. Leavitt said that the revised resolution was a huge improvement over the bill that was proposed at the 2003 Legislative Session. Mr. Leavitt suggested they recommend to the Legislative Committee that this bill be put forward to the 2005 Legislative Session.

MR. LEAVITT MOVED TO RECOMMEND TO THE FULL LEGISLATIVE COMMITTEE THAT THE DRAFT BE SUBMITTED AS A BDR FOR THE UPCOMING LEGISLATIVE SESSION.

THE MOTION WAS SECONDED BY MR. STOECKINGER.

THE MOTION CARRIED WITH NO OPPOSITION.

Chairman Hobbs commended Mr. Alastuey on the quality of the work product.

**V. CONSIDERATION OF POSSIBLE CHANGES TO STATUTORY PROVISIONS REGARDING APPRAISAL AND VALUATION OF AGRICULTURAL AND OPEN-SPACE REAL PROPERTY.**

Chairman Hobbs recalled that the Advisory Committee was given this item to review some time ago. He advised that they would need to bring closure to the item today if possible and transmit their feelings to the Legislative Committee. He asked Mr. Combs for a summary of the issue.

Mr. Combs said that at the July 29, 2004 Advisory Committee meeting he was asked to provide recommendations and some of the minutes from the Legislative Committee discussions regarding this issue. That information was sent by email to the Advisory Committee the previous week. Mr. Combs said that Nevada employed a system whereby rather than basing the evaluation of agricultural and open space land on its taxable value, it was based on the ability of the land to produce income. Mr. H. William Brooks from Genoa indicated that he had some concerns that due to the different system of valuation, some of the assessments in the town of Genoa were excessively low. His concern was that those with cultural and open space use designations paid less, which resulted in the for everyone else being increased. Genoa was somewhat unique in that it had properties designated agricultural and historic that existed side by side. In his previous testimony, Mr. Brooks expressed that he did not think it was consistent with the policy of uniform and equal taxation for these types of properties to receive a different valuation. Mr. Combs said that there was not a constitutional problem, per se, because the constitution had been amended to allow for this as an exception to the uniform and equal clause. However, Mr. Brooks argued that it violated that principal.

Mr. Combs reported that Mr. Brooks brought seven recommendations to the Legislative Committee:

1. Repeal all of the statutory provisions authorizing this separate assessment of agricultural and open space property.
2. Eliminate historic sites from the definition of open space so that they would not have a special assessment, but the agricultural and actual open space assessments would still exist.
3. Prohibit the Office of Historic Preservation from designating as historic a residence that was moved from one location to another unless there was some historically significant relationship between the house and the land.
4. Clarify in statute that the county or city cannot approve the historic designation for the purpose of this alternative system of evaluation unless the Office of Historic Preservation has designated that the parcel is historic.
5. Require a review of the property that receives these designations every five years to ensure that the property was not put to a higher use. (It was unclear who would be responsible for that five-year review. There was some testimony that this was already occurring through the assessor's office.)
6. Increase the period for the repayment of deferred taxes from seven years to 30 years. If the land was put to a higher use at some point, there would be a requirement to collect the taxes that would have been due under the normal valuation system for the preceding seven years.
7. For agricultural land, if revenue or income was received from nonagricultural pursuits and that income exceeded the minimum gross income from the agricultural pursuit, which would be considered conversion to a higher use and therefore would require the deferred taxes to become due and payable.

Mr. Combs recalled that at the May 13, 2004 Legislative Committee meeting there was quite a bit of testimony that the assessments were necessary because people would no longer be able to participate in agriculture if their property taxes were increased based on what was going on around them rather than on the amount of income that their property produced. In addition, there was testimony that a historic designation added value to the community by having homes kept in the condition that they were in years ago and that to remove that special valuation would make it harder for people to keep their homes in that condition.

Chairman Hobbs asked who made the testimony against the recommendations.

Mr. Combs replied that testimony was provided by people with agricultural interests, the Farm Bureau and neighbors receiving the benefit of the different system of valuation for agricultural or historic designation. He estimated that the testimony against the proposals was half agricultural and half historic designation.

Chairman Hobbs asked if there was any other testimony provided in support of the recommendation.

Mr. Combs reported that Mr. Brooks was the only individual to testify in favor of the recommendations specifically. Some of those who testified were not necessarily opposed to recommendation number four or three, but were opposed to other recommendations.

Chairman Hobbs said that he was somewhat concerned that there was not more testimony and substantiation of the need for these recommendations than has been done. However, if there was a recommendation that was sensible to forward, and if the Advisory Committee determined that action was necessary on this particular item that should be the nature of the Committee's discussion at this time.

Ms. Springmeyer did not support recommending any changes. She read in the previous testimony that Assemblyman Grady suggested separating the open space component. She recalled that Mr. Combs said that because that would require a constitutional change, it would be a long arduous process. Ms. Springmeyer reported that she spoke with the Douglas County Assessor, Doug Sonnemann about the issue and discovered that the three components of agriculture, open space and historic preservation may not seem to be related on the surface, but they do have similar components.

CLAUDETTE SPRINGMEYER MOVED NOT TO RECOMMEND ANY LEGISLATIVE ACTION REGARDING APPRAISAL AND VALUATION OF AGRICULTURAL AND OPEN-SPACE REAL PROPERTY.

MS. THOMAS SECONDED THE MOTION.

THE MOTION CARRIED WITH NO OPPOSITION.

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## **VI. DISCUSSION AND POSSIBLE ACTION REGARDING REPORT FROM SUBCOMMITTEE APPOINTED TO STUDY DISTRIBUTION OF REVENUES WITHIN REDEVELOPMENT AREAS.**

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Mr. Sherman reported that the Subcommittee met that morning and concluded that state law fairly reflects the policy intent of distributing property tax dollars to redevelopment agencies based on an aggregate assessed valuation basis. Furthermore, an audit being done on the distribution of those proceeds in Washoe County was proceeding, and the results will be forthcoming sometime in September. Those results will be brought back to the Subcommittee. A tax policy question regarding the dollar difference between distributions on an aggregate basis versus a parcel basis, and other factual or computational issues may be

uncovered from that audit. The Subcommittee concluded that they would wait for the results of the audit.

Chairman Hobbs asked Ms. Thomas if she had any comments.

Ms. Thomas replied that she believed Mr. Sherman covered the topic well.

**VII. CONSIDERATION OF POSSIBLE REQUEST FOR LEGISLATION TO CONTINUE THE EXISTENCE OF THE LEGISLATIVE COMMITTEE FOR LOCAL GOVERNMENT TAXES AND FINANCE BEYOND JUNE 30, 2005.**

Mr. Combs reported that technically this is the last interim of the Committee. It would be up to the Advisory Committee to recommend to the Legislative Committee members whether or not that expiration date should be extended or eliminated, or not extended, or if they would like to make other changes to the Committee. He said that it would probably be valuable to the Legislative Committee members to know whether or not the Advisory Committee members saw a need for the Committee to continue.

Mr. Sherman stated that he found the Committee to be a superior forum to deal with local government tax and fiscal issues. Prior to the organization of the Legislative Committee and its Advisory Committee, there seemed to be an environment of confrontation rather than the fact-based deliberations he believed the Committee engaged in. Mr. Sherman found the meetings to be a useful forum and supported its continuation.

Mr. Alastuey agreed. He noted that as individuals it would be a point of willingness to serve. As appointees it would be logical that those associations and constituencies would want to continue involvement in the forum. Mr. Alastuey agreed with Mr. Sherman that the level of confrontation during the Legislative Session could be problematic if there was no work done in the interim. Mr. Alastuey thought that the process would be better served if proposals came primarily on a consensus basis as opposed to a surprise or confrontational basis. He supported recommending the continuation of the Advisory Committee.

Ms. Thomas agreed with the comments of Mr. Sherman and Mr. Alastuey. She said that proposals were coming forward that should be scrutinized by the Committee.

Ms. Springmeyer also agreed the forum was valuable.

Chairman Hobbs recalled that a lot of good things have been done through the Committee. They have had some very strong interims where they talked about a lot of very difficult issues. Sometimes during certain interims there was more time to deal with those types of issues than others. He said that time and time again, unexpected issues would pop up during the interim and consume a substantial amount of time. This interim was no exception. The current group worked extremely well together through difficult and contentious issues. They held substantive discussions rather than rhetorical battles, which helped the process a great deal. Past groups also worked well together and produced outstanding results. The Committee had a strong track record in the number of bill drafts proposed and passed.

Chairman Hobbs supposed they probably could have accomplished more during this interim. He hoped as the Advisory Committee continued to develop a structure where the workload was distributed amongst the capable people in the group, knowing that reactive topics would inevitably arise. He thought that the Committee had stronger interims than this one, but nonetheless the Committee served an extraordinarily valuable purpose. He recommended that the Committee continue.

**MS. THOMAS MOVED TO RECOMMEND THE CONTINUATION OF THE COMMITTEE.**



THE MOTION WAS SECONDED BY MR. ALASTUEY.

Mr. Combs asked for clarification as to whether they were proposing extending or eliminating the expiration date.

Chairman Hobbs replied that they would defer that decision to the Legislative Committee. He thought that was the prerogative of the Legislative Committee to choose the timeline.

THE MOTION CARRIED UNANIMOUSLY.

**VIII. PUBLIC COMMENT**

There was no public comment.

**IX. ADJOURNMENT.**

With no further business to come before the Advisory Committee, Chairman Hobbs adjourned the meeting at 9:51 a.m.

Respectfully submitted,

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Becky Lowe, Secretary

APPROVED:

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Guy Hobbs, Chairman

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