

**SOUTHERN NEVADA TOURISM INFRASTRUCTURE
COMMITTEE MEETING
April 28, 2016**

The meeting of the Southern Nevada Tourism Infrastructure Committee was called to order by Chairman Hill at 8:05 a.m. in the Stan Fulton Building located at the University of Nevada, Las Vegas.

1. ROLL CALL/CALL TO ORDER/ESTABLISH QUOROM

BOARD MEMBERS PRESENT

Mr. Steve Hill, Committee Chairman
Mr. Len Jessup, Committee Vice Chairman
Ms. Carolyn Goodman, Mayor of City of Las Vegas
Mr. Steve Sisolak, Chairman of the Clark County Commission
Ms. Kristin McMillan, President and CEO of the Las Vegas Metro Chamber of Commerce
Mr. Tom Jenkin, Global President of Caesars Entertainment
Mr. Bill Noonan, Senior Vice President of Boyd Gaming
Mr. William Hornbuckle, President of MGM Resorts International
Ms. Kim Sinatra, Executive Vice President of Wynn Resorts
Mr. George Markantonis, President and COO of The Venetian and The Palazzo
Mr. Mike Sloan, Senior Vice President of Station Casinos

ADVISORY COMMITTEE MEMBERS PRESENT

Mr. Don Burnette, County Manager of Clark County
Ms. Tina Quigley, General Manager of Regional Transportation Commission of Southern Nevada
Ms. Rosemary Vassiliadis, Director of Clark County Department of Aviation
Mr. Rossi Ralenkotter, President and CEO of Las Vegas Convention and Visitors Authority
Mr. Guy Hobbs, Managing Director of Hobbs, Ong & Associates

ADVISORY COMMITTEE MEMBERS ABSENT

Ms. Elizabeth Fretwell, City Manager of the City of Las Vegas

2. PUBLIC COMMENT: 8:06 A.M.

There are no public comments. Chairman Hill closes Agenda Item 2.

3. ACCEPTANCE OF MINUTES FROM MARCH 24, 2016: 8:07 A.M.

Chairman Hill opens Agenda Item 3 for a motion to accept the meeting minutes from March. A motion is made by Mayor Goodman for the acceptance of the minutes. Ms. McMillan seconds the motion. The March meeting minutes pass unanimously.

Chairman Hill closes Agenda Item 3.

4. CHAIRMAN/COMMITTEE COMMENTS: 8:06 A.M.

Chairman Hill states the May meeting will include the Las Vegas Convention Center, the stadium proposal and the Regional Transportation Commission of Southern Nevada. Chairman Hill encourages the committee to raise any issues they feel should be addressed in May. He would also like the committee to reserve June 24th as a potential extension of the June 23rd meeting in case additional time is needed to resolve pending committee issues.

Chairman Hill then notes that he has asked Mr. Jeremy Aguero, Principal of Applied Analysis, to take a closer look at the potential recommendation for the Las Vegas Convention and Visitors Authority (LVCVA) convention center expansion and renovation project. From that, Chairman Hill has put together policy recommendations that will provide some alternative ways to fund the convention center project. Originally, it was stated that the project needed \$1.2 billion through 2030 in order to build the 1.4 million square foot project as well as renovate the current 3.2 million square feet. The funding for this through a room tax increment would be between 1.25 to 1.50 percent of room revenue. Chairman Hill and Mr. Aguero have made numerous adjustments to the financing model to lower this room tax percentage. Chairman Hill states there was an original projection of between 2 to 3 percent of growth from fiscal year 2015 to 2016. The room tax has performed substantially better than that through the first several months of the year, growing by approximately 10.5 to 14.0 percent. Chairman Hill notes that he has used the lower of those rates (10.5 percent) as the starting point in the model. Projecting outward, growth decreases until it settles at 2.5 percent. The anticipated bond interest rate has also been adjusted to more accurately reflect the bond market as it currently exists. Chairman Hill also states that in the model he has asked for a 4 percent reduction in the LVCVA's operating expense, which makes an annual \$12.5 million contribution to the project. Chairman Hill has also proposed a cap of the collection allowance at roughly what the allowance currently is, \$25 million per year. Any additional growth in the room tax collection allowance would go toward funding the convention center project. With these adjustments, Chairman Hill and Mr. Aguero have calculated that the project can be built with between 0.5 to 0.6 percent in additional room tax. The LVCVA will have the opportunity to evaluate the model and provide feedback.

a. Program Alternatives Analysis: 8:17 A.M.

Chairman Hill welcomes Mr. Jeremy Aguero to walk through the funding proposal. Mr. Aguero directs the committee members to the Alternatives Analysis that was done on the Las Vegas Convention Center expansion and renovation proposal. Mr. Aguero states the model that was created is dynamic, so it can easily be adjusted. Mr. Aguero notes that the original model required approximately \$1.2 billion in supplemental funding between 2018 and 2030, which is the starting point for modeling purposes.

The first modification involves the room tax growth projections. The assumptions are that the room tax will grow at 10.5 percent for fiscal year 2016, 3.5 percent for fiscal year 2017 through fiscal year 2020, 3.0 percent for fiscal year 2021 through fiscal year 2025, and 2.5 percent for fiscal year 2026 through 2030. The growth rate of 10.5 percent on a base in excess of \$200 million in year one adds about \$20 million in revenue for the project. Mr. Aguero stresses that if that initial growth rate changes, it should be revisited because it is a critical piece to the model due to the compounding effect of interest rates.

The second modification increases the LVCVA's contribution to the project. The assumptions would shift \$12 million in operating revenues to capital programs beginning in fiscal year 2017. This amount equates to roughly 4 percent of total operating expenses for the LVCVA.

The third modification adjusts the interest rate assumptions. These rates are not very aggressive, but they are more aggressive than those presented in the original model. This frees up additional capital, particularly in the out years.

Mr. Aguero then notes that there were various other minor adjustments to revenues, expenditures and ending fund balances. As a result of making all of the adjustments, the funding shortfall for the Las Vegas Convention Center expansion and renovation project is reduced to \$543 million.

Mr. Aguero then discusses the two funding alternatives for the project. The first is a cap of the local government room tax collection allowance at \$25 million annually. From fiscal year 2017 through fiscal year 2030, the projected collection allowance will offset the project's funding shortfall by an additional \$123.1 million, bringing the funding gap to \$420 million. Then, when comparing the remaining funding shortfall against the projected taxable room revenue of \$91 billion, it results in a required room tax increment of 0.462 percent. Mr. Aguero notes this is a preliminary figure that could be altered by further refinements.

Mr. Hornbuckle asks Mr. Aguero what the historical room tax growth has been. Mr. Aguero notes the 10-year historical growth in room tax has been about 3 percent, which included the Great Recession.

Commissioner Sisolak asks how much the 4 percent reduction equates to from the LVCVA's budget and how much an additional percent would add to the project. Mr. Aguero states an additional percent could add about \$3 million to the total and would service around \$20 million in bonds.

Commission Sisolak asks if the capital necessary to maintain Cashman Center is addressed in the model. Mr. Aguero states the existing debt for the LVCVA is all modeled and included in the document. The incremental piece in terms of Cashman Center would have to come out of the normal capital that is included. There are specific ongoing capital requirements that are for recurring capital-related activities.

Commissioner Sisolak points out that if the assumptions are too conservative, it will provide additional cash flow, and he would like to know what would happen to that money. Mr. Aguero states if the room tax projections were to increase, it would flow through to the bottom line and be reflected as increased cash flow.

Chairman Hill closes Agenda Item 4.

5. RESEARCH STAFF REPORT: 9:42 A.M.

Mr. Aguero states Applied Analysis has submitted about 50 documents to the committee during the past 30 days.

Chairman Hill closes Agenda Item 5.

6. COMMITTEE WORKSHOP

a. Convention Center Workshop: 8:34 A.M.

Chairman Hill opens Agenda Item 6a and asks Mr. Rossi Ralenkotter, President and CEO of the Las Vegas Convention and Visitors Authority, and his team to join Mr. Aguero in the discussion of the Las Vegas Convention Center.

Mr. Rossi Ralenkotter states the process to expand the convention center started in 2012 at the end of the Great Recession when the Las Vegas Valley had six consecutive months of increased room tax revenue. Since then, the direction for the project has been narrowed to be what the convention hosts need. Mr. Ralenkotter then states the LVCVA has been in dialog with the City of Las Vegas regarding Cashman Center. The ultimate goal is that the transfer of that facility will happen in or before 2020.

Ms. Rana Lacer, Chief Financial Officer for the LVCVA, states the LVCVA is reviewing Mr. Aguero's model. She states the new model has additional data on room tax that will create differences with the LVCVA's previous model. Ms. Lacer offers that the LVCVA has come to an agreement on a substantial portion of the changes that Mr. Aguero has built into the model, but they would like to look deeper at a few items, such as the operations costs for the expanded convention center.

Mr. Terry Miller, Principal and Owner of Cordell Corporation, states there were two strategies to this project. The first included responding to the tradeshow customers' need for additional exhibit hall space. The second strategy focused on making sure the LVCVA would not lose any current business during renovation.

Commissioner Sisolak asks what the impacts would be if rental rates for the Las Vegas Convention Center were increased. Mr. Ralenkotter notes the LVCVA's board approved two rate increases in the last three years. Ms. Lacer states there will be two successive rate increases in the next few years that will increase the rate to \$0.35 per net square foot in fiscal year 2018. The rate increases are built into the pro forma analysis. Mr. Kevin Bagger,

Executive Director of the LVCVA Research Center, states the challenge of comparing private- and public-sector models is that the private sector can negotiate a variety of terms, such as catering, that are not built into the convention center model. Ms. Lacer notes that the LVCVA does not do analysis on a penny per square foot basis; however, they did an analysis on the incremental rate increase of up to five cents and projected how much additional revenue that would generate. Depending on which year and which tradeshow are there, it is about \$3 to \$5 million for that five cent incremental increase.

Commissioner Sisolak asks if future bond refunding has been calculated into the analysis. Mr. Aguero states that these had not been calculated into the analysis. Ms. Lacer states the LVCVA is in the preliminary planning for refunding a couple of their bonds, but most of their current bonds already have low interest rates.

Commissioner Sisolak highlights a similar project with the water authority where there was a rate stabilization fund created when the rates increased. All the connection charges that exceeded the assumptions went into this fund and did not turn into cash flow for the agency's general fund. Commissioner Sisolak asks if this type of fund is something that the LVCVA would be interested in creating. Ms. Lacer notes the discussion for that would need to be at a higher level. Mr. Ralenkotter notes that when there have been built-up reserves, there have been projects that those reserves are dedicated for, such as the high-speed lanes on Interstate 15. Mr. Ralenkotter then notes the LVCVA is formulating an oversight committee comprised of representatives from the private sector that will be part of analyzing the project and providing recommendations.

Ms. McMillan asks what accounted for the growth in room tax over what was originally projected for the current fiscal year. Mr. Aguero states this growth could be sourced to total visitor volume and convention-related travel outpacing projections. Those convention-related and special events travelers have a tendency to spend more than their leisure counterparts. Mr. Aguero also notes that additional resort fees, which are subject to room taxes, came online during this fiscal year. Ms. Lacer stresses the room tax revenue is based on the number of rooms in the destination, the occupancy percent in those rooms and the average daily room rate. The LVCVA tries to influence the number of visitors to the destination, but it does not control room rates. Ms. Lacer notes that these high growth rates are actually recovery growth rates from lost visitation during the recession.

Commissioner Sisolak asks if there is any revenue stream that the room tax is not capturing, including short-term rentals. Ms. Lacer states each individual collecting jurisdiction has its own ordinance and audits the properties that should be subject to the lodging tax. Mr. Markantonis states he has some city-by-city research on Airbnb, and what the impact is in Las Vegas. It is less of a problem in Las Vegas than in some of the major jurisdictions such as New York City, where companies buy entire apartment complexes and put them into the Airbnb program to avoid paying taxes.

Chairman Hill closes Agenda Item 6a.

b. Stadium Proposal: 9:44 A.M.

Mr. Mark Davis, Owner of the Oakland Raiders, states there is a misconception that all National Football League (NFL) teams are owned by billionaires looking for free stadiums. Mr. Davis states the Raiders are looking to be partners with Las Vegas. Therefore, if the panel recommends the requested funding, the legislature passes it and the NFL approves the relocation, the Raiders will contribute \$500 million to the project.

Mr. Marc Badain, President of the Oakland Raiders, states the Raiders community efforts are one of the most important initiatives, and they invest in them heavily. Currently, the Raiders host over 300 events in their market annually and impact over 2 million individuals. Studies have shown that the media exposure from having an NFL team is worth over \$100 million to the home city.

Mr. David Beckham, Owner of the future Major League Soccer franchise in Miami, states the community that forms around a major sports team is invaluable to a city. Having a team will create an experience that will bring numerous of individuals to Las Vegas. Mr. Beckham states that building a stadium will not just attract the NFL team, but it will attract teams from all over the world, potentially including Manchester United.

Mr. Tim Leiweke, former President and CEO of Anschutz Entertainment Group, states that in Los Angeles Mr. Leiweke and his firm spent 20 years attempting to recruit an NFL team. Mr. Leiweke highlights that Las Vegas has the most difficult piece of that transaction, the NFL team itself, committing to come to Las Vegas. He then states that bringing an NFL team is the largest economic impact the committee will have. With a stadium, the city will have the opportunity to not only compete for an MLS team, but could bring weeklong soccer conventions to Las Vegas. Mr. Leiweke states mega-events, such as Super Bowl and FIFA soccer, would be interested in coming to Las Vegas due to its branding opportunities and trademark as a top world destination.

Mr. Bill Rhoda, President of CSL, discusses the Clark County Stadium Authority proposal and what it would entail. Mr. Guy Hobbs stresses that in the stadium proposal, there is both private and public money involved. Consequently, this would require some type of body that would enable both types of money to be received and administered as well as make all decisions relative to financing and operating the facility. Stadium authorities are common in other locations with this same type of circumstance. Mr. Hobbs states that the need for such a board is undeniable.

Mr. Craig Cavileer, Executive Vice President of Majestic Realty, states any project that is funded through a public-private partnership will need some form of authority to facilitate it, and the Sands-Majestic Group is prepared to invest over \$650 million into the project. Mr. Cavileer states that the stadium will create \$2.7 billion of tax revenue for the region, along with \$40 to \$50 billion of economic impact. The public funding mechanism would assume the remaining \$50 million per year over the term of the 30-year bond with a 1.1 debt service coverage ratio. The group seeks to finalize the specifics of the project in a special session in August, and Mr. Davis is prepared to go to the NFL at the end of this year to request a transfer.

Chairman Hill notes that the committee would like to be able to present its viewpoint of the stadium model independent of the work that Sands-Majestic has done. Chairman Hill would like to bring this back in May to present to the committee.

Commissioner Sisolak asks if the Raiders are locked in on the Trop 42 site. Mr. Davis states they are not tied to a single site at this time. He believes Las Vegas offers a unique game day experience that could be catered to whichever site the stadium is built on.

Commissioner Sisolak asks what the Raiders' plan would be during the 36-month interim if the project were approved. Mr. Davis states the Raiders would continue to work in their practice facility in Oakland. Currently, the Raiders have two-year options for the Oakland Coliseum, which would take the team through three seasons. The team would also try to play at least one preseason game at Boyd stadium.

Commissioner Sisolak asks Mr. Davis to explain the procedure of moving an NFL team to a new city. Mr. Davis states the NFL likes to see opportunities that are actionable, financeable and viable before approving the relocation. He believes that this type of project meets all of those requests and doesn't see it posing an issue.

Mr. Sloan asks if there is a contractual commitment the Raiders will be willing to make to remain in Las Vegas. Mr. Davis states there will be a contractual commitment in which Mr. Davis would commit to Las Vegas for the entirety of his lifetime.

Chairman Hill asks how the NFL may help fund a new stadium. Mr. Davis states that funding will be part of the \$500 million investment the Raiders will be making, with about \$200 million coming from the NFL G-4 loan. Commissioner Sisolak asks if the Sands-Majestic Group will be providing the additional \$150 million of private funding. Mr. Davis states that is to be determined, but the Raiders are committing to \$500 million.

Commissioner Sisolak asks if there are ongoing operating costs in addition to the \$50 million per year for the public sector. Mr. Cavileer states the \$650 million private investment also takes on operating risks, including stadium construction cost risks. The group is not asking for any additional capital.

Chairman Hill asks the group to explain the timeframe for the stadium proposal. Mr. Cavileer states they are considering a one-year timeframe to bring the proposal to the legislature with the right to extend another year in the event that Mr. Davis needs additional time, but they would like to have it done by January.

Chairman Hill closes Agenda Item 6b.

c. Transportation Requests
- Las Vegas Monorail: 11:12 A.M.

Mr. Curtis Myles, President and CEO of the Las Vegas Monorail, provides an overview of the Las Vegas Monorail and why it needs to go through this request process in order to extend monorail service to the Mandalay Bay. The Las Vegas Monorail is a 501(c)4 not-for-profit company and is organized under IRS code Section 115. This essentially means it is an instrumentality of the state. If the Las Vegas Monorail wants to issue debt and have that debt be tax-exempt, it requires the company to have a certificate from the governor saying that it is that specific type of company. Mr. Myles states the request from the Las Vegas Monorail is a certificate that the committee will submit to the governor later this year for the Mandalay Bay extension. The Las Vegas Monorail will be going before Clark County next week to secure the final design funding, which would enable it to complete the design process over the course of the next three to four months and go to the bond market for project funding in early fall. Mr. Myles notes in this request there is no potential liability for any local government or the state.

Chairman Hill closes Agenda Item 6c.

7. MAY MEETING PREVIEW: 11:18 A.M.

Mr. Aguero notes that the expectation for the May meeting is that the committee will continue the discussion on the Las Vegas Convention and Visitors Authority model and underlying assumptions. Mr. Aguero hopes he will be able to present a similar model for the stadium proposal. He notes he is transitioning from the phase of broad-based research to narrowing down to specific recommendations.

Chairman Hill closes Agenda Item 7.

8. COMMITTEE MEMBER COMMENTS: 11:20 A.M.

Commissioner Sisolak asks when the committee should start determining which recommendations will go through to the governor. Chairman Hill states that should start this process for the stadium in May.

Chairman Hill closes Agenda item 8.

9. PUBLIC COMMENT: 11:26 A.M.

Mr. Uehling has several suggestions regarding the financing, such as selling the Las Vegas Convention Center to a private entity and using those proceeds to build the stadium and medical school. Mr. Uehling also believes the committee should look into public-private partnerships.

Ms. Amy Leong with the Culinary Workers Union states convention business is critical to Las Vegas's economy. On behalf of the Culinary Workers Union, Ms. Leong urges the committee to make the expansion and renovation of the Las Vegas Convention Center the top priority. Ms. Leong does not believe the committee should approve public funding for any ventures, such as an NFL stadium, that can be funded privately.

Ms. Shawna Tello states she is pleased that the committee has taken such care to make sure a limited amount of taxes are being used for these projects. Ms. Tello points out that the fan base for the Raiders is significant in Las Vegas and those fans will fill a stadium.

Mr. Cesar Maciaz expresses his excitement for a stadium in Las Vegas that could bring an NFL team.

There are no more public comments. Chairman Hill closes Agenda Item 9.

10.ADJOURNMENT: 11:36 A.M.

CHAIRMAN HILL OPENS AGENDA ITEM 10 FOR POSSIBLE ACTION. MR. MARKANTONIS MAKES THE MOTION TO ADJOURN THE COMMITTEE MEETING. MR. SLOAN SECONDS THE MOTION. THE MOTION PASSES UNANIMOUSLY.