

**SOUTHERN NEVADA TOURISM INFRASTRUCTURE  
COMMITTEE MEETING  
May 26, 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  
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

**BOARD MEMBERS ABSENT**

Mr. William Hornbuckle, President of MGM Resorts International

**ADVISORY COMMITTEE MEMBERS PRESENT**

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

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

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

**3. ACCEPTANCE OF MINUTES FROM APRIL 28, 2016: 8:06 A.M.**

Chairman Hill opens Agenda Item 3 for a motion to accept the meeting minutes from April. A motion is made by Commissioner Sisolak for the acceptance of the minutes. Mr. Noonan seconds the motion. The April meeting minutes pass unanimously.

Chairman Hill closes Agenda Item 3.

**4. CHAIRMAN/COMMITTEE COMMENTS: 8:07 A.M.**

Chairman Hill states there will be a meeting on June 23<sup>rd</sup> but asks the committee to also reserve June 24<sup>th</sup> in the event that extra time is needed. Topics that will be covered at the next meeting include the Las Vegas Convention Center's legislative recommendation, McCarran International Airport's fuel supply issue, the Las Vegas Monorail's issuance of debt request and a continued stadium discussion. The stadium discussion will include further financial information and recommendations for the proposal, similar to the convention center analysis.

Chairman Hill states that the goal for the July 11<sup>th</sup> meeting is to have all recommendations in place, so as to be able to utilize the July 28<sup>th</sup> meeting to form a proposal for the governor. Those unable to attend on July 28<sup>th</sup> are encouraged to call in or find an alternate representative, as Chairman Hill would like to have every agency represented in the final voting process.

Chairman Hill closes Agenda Item 4.

**5. RESEARCH STAFF REPORT: 8:12 A.M.**

Mr. Jeremy Aguero, Principal of Applied Analysis, states he has been continuing to refine the Las Vegas Convention and Visitors Authority's (LVCVA) financial model. Additionally, the Las Vegas Sands and Majestic Realty's stadium financial model was reviewed and rebuilt, similar to the LVCVA's model. Additionally, included in the packets provided by Applied Analysis are two recommendations to be covered in more detail at the next meeting: the monorail request and the aviation fuel supply issue at McCarran International Airport. Mr. Aguero also points out additional research contained in the packet, specifically in regards to short-term rentals and the room tax revenue that could potentially be collected. Through background research of Airbnb data, it was determined that approximately \$2.3 million could be raised in revenue per year from such a tax. Mr. Aguero also relayed that Airbnb has expressed a willingness to assist local jurisdictions in collecting applicable hotel taxes.

Commissioner Sisolak states that he has spoken with Sheriff Joseph Lombardo at the Las Vegas Metropolitan Police Department, who expressed that he would like to make a presentation regarding public safety as it relates to the resort corridor. Commissioner Sisolak stresses that this is the most important issue to consider, especially with the potential expansion of the convention center and construction of a football stadium.

Chairman Hill closes Agenda Item 5.

**6. COMMITTEE WORKSHOP**

**a. Convention Center Legislative Recommendation: 8:20 A.M.**

Chairman Hill asks Mr. Aguero to elaborate on the results of the work he completed with the LVCVA. Mr. Aguero points out that Ms. Rana Lacer, Chief Financial Officer for the LVCVA, had three main concerns with the reconstructed financial model. The first was a concern with regards to the amount of debt service coverage the LVCVA will have for its bonds. The LVCVA's policy is to have 3 times coverage, meaning revenue collected will be 3 times higher than the required bond payment. Mr. Aguero states that the required coverage ratio would need to be below that, in the 2.5 range. Mr. Aguero suggests the LVCVA will need to meet and discuss altering its minimum coverage policy. This is not expected to be an issue, as 2.5 times coverage is still considered extremely healthy.

The second concern was the proposed 4 percent, or \$12 million, reduction in total expenditures by the LVCVA. The LVCVA said that a reduction on total costs was not feasible due to fixed costs, such as bond payments, that cannot be adjusted. It was agreed that the 4 percent reduction would be better applied to operating expenditures rather than total expenditures, which would reduce total expenses by \$8 million.

The third concern was including 2017 in the model, which is a partial year and made the required room tax rate that would be used to fund the convention center expansion and renovation project much lower. The LVCVA's recommendation was to include the 10-year average that starts from 2018. Mr. Aguero agrees that this request is very reasonable.

Mr. Aguero states these modifications would yield a room tax rate increase between 0.528 percent and 0.56 percent, with the 0.56 percent being inclusive of all recommendations.

Mr. Sloan asks Mr. Aguero if increased revenue projections were taken into account to offset the room rate increase to 0.56 percent. Mr. Aguero says the only variable considered was the room tax and not future increased revenues.

Mr. Markantonis asks if an increase in the convention center rental rate can help offset the loss of the \$4 million resulting from the exclusion of non-operating expenses in the 4 percent cost reduction. Mr. Aguero states that assuming demand is not affected by an increase in the rate, a 4 cent, or 12 percent, increase in the rental rate would yield this \$4 million difference. Mr. Markantonis follows up by asking if such an increase were to be implemented, would this keep the price of the convention center cheaper than that of local private entities. Mr. Aguero states that based on available information, even with the increase the convention center would still be cheaper than private entities.

Chairman Hill asks the committee to review the draft legislative language put forth by Mr. Aguero. He walks through all of the sections with the committee and highlights points of emphasis. Chairman Hill points out that Section 7.2 must be

adjusted, as it includes only Las Vegas and no other local jurisdictions. Chairman Hill discusses Section 9 and the prospect of an oversight panel. This panel would have veto power over any projects funded through bonds that would require approval. Alternative language that relates more to the Clark County School District (CCSD) oversight board is also available. Chairman Hill then asks if there are any questions on Section 9.

Mr. Noonan states that he would like Section 9 to mirror CCSD's board.

Ms. Sinatra thought the oversight committee would have more authority. Mayor Goodman concurs with Ms. Sinatra and believes that the oversight committee should be very experienced.

Mr. Aguero says there is some concern, depending on the makeup of the oversight committee, that there could be issues regarding the taxability of bonds that are issued. Mr. Aguero has requested a legal opinion from the LVCVA regarding this and will bring this to the committee as soon as he has it.

Chairman Hill then returns to Section 7 and reviews the method for appointing members to the oversight committee. The number of people on the committee was designed to be relatively small. The governor will make the selections so as to obtain the most skilled committee that has the right mix in regards to areas of expertise.

Mayor Goodman proposes the current committee submit a list of names to Chairman Hill for his review, and says that knowledge along with experience is important.

Commissioner Sisolak asks if there are any missing fields for the oversight committee. Mr. Aguero says this is the first vetting of the proposal and augmenting the list can be done if necessary.

Mayor Goodman asks about the purpose and power of the oversight committee. Mr. Aguero says the oversight committee would be a third party outside of the LVCVA's board that would discuss the developing and financing details of the Las Vegas Convention Center's expansion and renovation. The LVCVA would need to receive approval from this oversight committee to go forward with the project.

Mr. Ralenkotter states that Las Vegas is competing with other public markets for conventions, such as Orlando and Chicago, and this should be taken into consideration when discussing rental rate increases. He also states that rates will already increase 20 percent by 2018.

Chairman Hill closes Agenda Item 6a.

**b. Stadium Proposal: 8:58 A.M.**

Mr. Andy Abboud, Vice President of Government Relations and Community Development at the Las Vegas Sands, presents a video to the committee showing local representatives in favor a large-capacity stadium. He highlights the proposed stadium's features, including its 65,000 seats, 1.5 million square feet and a retractable roof. The total cost is in the \$1.3 billion to \$1.6 billion range, which excludes the price of land. Mr. Abboud states that there are many other opportunities beyond the National Football League (NFL), such as Major League Soccer (MLS), international soccer, concerts, rugby, college football, UFC, motor sports and college basketball. Mr. Marc Badain, President of the Oakland Raiders, confirms that Las Vegas is the top priority for the Raiders.

Mr. Greg Carey, Managing Director of Goldman Sachs, states there needs to be three entities with distinct roles in the ownership and operation of the stadium: Stadium Authority, EventsCo and StadCo. The Stadium Authority will own the stadium and lease it to EventsCo. The Stadium Authority will collect public revenue streams and remit payments to Clark County for debt services. However, the Stadium Authority has no role or risk related to stadium construction or operations. EventsCo will take the lease and will be responsible for cost overruns, ensuring on-time performance and revenue risk. EventsCo will not receive any tax dollars. StadCo will be an entity created by the Raiders under NFL guidelines. Included will be a non-relocation clause, which is of paramount importance.

Mr. Carey states that the total cost will be between \$1.5 billion and \$1.7 billion, \$750 million of which will be collected from room tax. The remaining sources of funding will come from the Raiders, Las Vegas Sands and other private entities. Mr. Carey iterates there is no risk to the local tax payer. Las Vegas Stadium has a very high economic velocity where an annual contribution of \$50 million in room tax revenue would produce \$870 million in spending and 8,000 new jobs. Excess Stadium Authority revenue will be used to fund stadium capital expenditures and to pay off debt. Mr. Robert Goldstein, President and Chief Operating Officer for the Las Vegas Sands, says EventsCo will take on a lot of risk, as will the Raiders. Mr. Goldstein reiterates that the Raiders are not trying to exploit public money.

Mr. Goldstein presents a proposed timeline for the project. The NFL needs to approve the Raiders relocation to Las Vegas by January 2017. Then, the stadium can be open by Summer 2020 for the 2020 football season.

Ms. McMillan asks about how much land is needed for the project, as well as what locations are being considered. Mr. Goldstein states approximately 40 acres would be needed, but they are not committed to a particular site. Possible sites include the UNLV 40-acre site, Cashman Field, the former Riviera site, or by SLS Hotel and Casino. Chairman Hill states the committee will need to make a decision on the stadium funding before developers can sign a contract on land. The committee can provide insight, but the project must eventually be turned over to a stadium

authority board. Mr. Aguero's analysis does not include cost of land, and the public will not be responsible for this.

Mr. Noonan asks how the funding for infrastructure needed to get to and from the stadium is typically handled. Mr. Carey states it is usually part of the whole program, and it will be similar to building a new casino. The Las Vegas Sands and Majestic Realty are asking for the public money for construction and the tax increment; the rest will come on the private side.

Mr. Sloan asks about the Riviera site and connecting the Las Vegas Convention and Visitors Authority to the stadium site. Mr. Ralenkotter says there have been discussions with the Las Vegas Sands and Majestic Realty regarding using the Riviera property for a stadium to coexist with the convention center.

Chairman Hill questions why stadiums in other towns that have been built with a smaller percentage of public revenue but this proposal requires more public funding. Mr. Bill Rhoda, President of CSL, says the price of stadiums has gone up significantly in the last two decades. Mr. Rhoda points out that for NFL stadiums, there is a 50-50 split between public and private financing. For places with similar demographics to Las Vegas, the split is usually 75 percent public to 25 percent private. Mr. Rhoda states some recent stadiums that have had more private funding have been in larger markets that can generate more revenue.

Mr. Aguero begins his presentation on the stadium, which focuses on the structure of the stadium deal as well as stress testing the financing model. Las Vegas will create a stadium authority board, which would be responsible for raising \$750 million for the construction of the stadium and would have oversight of stadium operations. The EventsCo would handle the day-to-day operations of the stadium and events. The sources of funding for the construction of the stadium are broken down as \$750 million of public money, \$110 million Premium Seat Licenses (PSLs), \$200 million from the NFL G-4 loan, \$100 million from the Raiders and \$240 million from Las Vegas Sands and Majestic Realty. This \$1.4 billion will be utilized for the construction of the stadium and a practice facility. The developer would be responsible for inputting capital and running the stadium. Revenue projections for the NFL, UNLV and other entities are only rough estimates and not ready to be presented as of now.

Mr. Aguero continues on to discuss the Stadium Authority, which would be responsible for raising \$750 million. This would be accomplished this via a 1 percent room tax. Such a tax would produce a revenue stream of \$50 million per year. Mr. Aguero states that this room tax would be implemented on January 1, 2017, and would yield 1.5 times debt service coverage. In the absence of unforeseen circumstances, coverage money would yield one-third more money than needed, which would be used to pay off the bond in fiscal year 2033.

Mr. Aguero goes on to state that the room tax will not be the only source of revenue, and that a sales tax, live entertainment tax and modified business tax applied to the stadium will also be utilized. The revenues will total approximately \$2.63 billion and would be used for the payment of bonds, to invest in capital at a rate of \$2.5 million per year and to offset losses to UNLV in the order of \$221 million.

Chairman Hill points out that the Stadium Authority will need a staff and these costs, though not a significant amount, will need to be considered.

Mr. Aguero continues on to talk about the EventsCo that will be in charge of the day-to-day operations of the stadium. The stadium would generate \$265 million in revenue annually, of which the EventsCo would retain 11.7 percent, or \$31 million, of that revenue. This revenue will be used to fund ongoing operations and provide returns. Mr. Aguero states non-event revenues will total \$10.32 million, bringing the total net operating revenues to \$19.9 million.

The model is then stress tested for a variety of factors, including the difference between public and private funding as well as the number of events the stadium will host. It is reiterated that the developer takes the risk with these factors.

Mr. Aguero concludes by introducing the next steps that are to be taken in the analysis, including changing pricing assumptions, shifting tax increments, reviewing the revenue distribution to the stadium operator and developing contingency plans if the Raiders relocation is not approved by the NFL.

Commissioner Sisolak asks about the 1.5 times coverage as opposed to 3 times coverage for the convention center and what the coverage for the convention center is used for. Mr. Aguero says this will need to be analyzed further.

Commissioner Sisolak asks about a \$3.5 million annual payment to UNLV and why they would get this. Mr. Aguero says this is to compensate for events that would otherwise take place at Sam Boyd Stadium.

Commissioner Sisolak asks who would be responsible for the public safety of stadium attendees. Chairman Hill says that the hosts of events would be responsible for security.

Commissioner Sisolak asks how NFL gets one-third of the revenue with significantly less events. Mr. Aguero points out that the NFL attracts more people and tickets are more expensive, resulting in more revenue.

Chairman Hill closes Agenda Item 6b.

## **7. JUNE MEETING PREVIEW: 11:33 A.M.**

Mr. Agüero says the next meeting will include refined language for the LVCVA's legislative proposal and a more enhanced model of the benefit a stadium would have to the community. He says he will start to develop preliminary language for what a proposal may look like for the stadium. Recommendations for the airport and monorail also need to be finalized.

Chairman Hill closes Agenda Item 7.

**8. COMMITTEE MEMBER COMMENTS: 11:35 A.M.**

Mr. Ralenkotter states the Stadium Authority is modeled after the LVCVA's board. Thus, since the LVCVA's board does not directly collect room tax, when that legislative language for the stadium goes forward, the Stadium Authority collection of room tax would need to be clarified. Additionally, in regards to the room tax that the LVCVA is requesting for the expansion and renovation of the convention center, it is based on the gross of the room tax collected.

Chairman Hill closes Agenda item 8.

**9. PUBLIC COMMENT: 11:36 A.M.**

Mr. Thomas White of Labors Local 872 stresses that a stadium is vital to create jobs for the labor unions. On behalf of the labor unions, Mr. White states he is in full support of the stadium and monorail.

Mr. Rick McCann of Nevada Public Safety wants to hear how public safety interests will be taken care of. Mr. McCann believes public safety is a very important consideration when building these new infrastructures. Mr. McCann offers a letter to Chairman Hill that provides public safety information and has been signed by several union members.

Mr. Dave Wood of UA Local 525 provides comments on behalf of William Stanley, Executive Secretary-Treasurer of the Southern Nevada Building and Construction Trades Council. Mr. Wood states the council is in support of the committee's effort to prioritize tourism-improvement projects in southern Nevada. The council, however, has concerns regarding the substantial amount and source of public funding being considered for the stadium proposal. Accordingly, the council recommends considering the number and type of employment opportunities from the stadium.

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

**10. ADJOURNMENT: 11:44 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.**