Nevada Business
THE MAGAZINE FOR DECISION MAKERS

AT THE CROSSROADS

EDUCATION FACES TOUGH ROAD AHEAD

SPECIAL REPORT: CITY OF RENO

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COMMENTARY

LYLE E. BRENNAN
Publisher

Legislators Reconsider Medical Malpractice Bill

Those of us who lived in Nevada in 2002 remember when medical malpractice insurance premiums were so high that physicians were leaving Nevada in droves. Doctors refused to move here from other states, and high-risk specialists like obstetricians moved away or stopped delivering babies. The situation became so critical that the governor called an emergency legislative session.

Thanks to provisions enacted in 2002 and strengthened by an initiative passed in the 2004 general election, the situation has stabilized. However, a bill has been introduced in this session of the Legislature that would reverse all the progress made in previous years and bring us right back to where we were before the reforms.

Here's a brief synopsis of what happened: In response to multi-million dollar jury awards in medical malpractice cases during the 1990s, insurance rates for physicians started spiraling out of control. The 2002 special legislative session limited non-economic damages such as "pain and suffering" to $350,000 per plaintiff. However, the cap did not apply in cases of "gross malpractice" or "exceptional circumstances." The 2002 legislation did not have the desired effect of significantly lowering rates because insurance companies couldn't predict when a case might qualify for one of these exceptions.

Ballot Question 3, approved by Nevada voters in 2004, reversed the two exceptions to the $350,000 cap, allowing insurance companies to better predict future payouts. Since then, medical malpractice insurance rates have fallen by 30 percent and malpractice claims have decreased by 40 percent. One research study estimates that Nevada's $350,000 cap on non-economic damages will bring about long-term decreases in health care costs of at least $381 million annually.

Did the legislation passed in 2002 and 2004 mean less money for patients who suffer because of errors by medical professionals? No. Insurance companies still have to pay expenses such as the costs of further medical treatment. In most cases, what it means is that attorneys have less of an incentive to push for a jury trial in the hopes of getting a fat percentage of a multi-million dollar award.

Assembly Bill 495 was introduced this year in response to a Hepatitis C outbreak in Southern Nevada caused by substandard injection practices at two clinics. This situation naturally caused fear and outrage. It also gave law firms specializing in medical malpractice a chance to capitalize on these emotions, using them as leverage to reverse earlier reforms.

AB 495 would eliminate all caps and limitations on non-economic damages. It would also eliminate the limit on fees attorneys can charge and collect. It extends the statute of limitations for malpractice cases and reverses provisions shortening the time between filing of a suit and a trial date - delaying compensation for injured patients, but allowing attorneys more time to build up billable fees.

This bill would reduce access to quality medical care by decreasing the number of health care providers in Nevada, particularly in the state's rural and low-income areas. Although the situation with doctors leaving Nevada has stabilized for the moment, we are still not where we need to be. Nevada ranks 48th in the ratio of physicians to population, and 50th in nurses-to-population. We cannot afford to lose any more medical professionals.

Reversing tort reforms would also reduce access to medical care by making health insurance more expensive. Employers responding to increased health insurance costs may reduce or eliminate coverage, increasing the number of Nevadans without health insurance. It should come as no surprise that taxpayers end up bearing the burden of medical costs for the uninsured.

AB 495 would make all the citizens of Nevada suffer for the errors of a few medical professionals, because costs will eventually get passed down to you and me. In the private sector, physicians facing higher insurance premiums will pass costs down to patients by increasing their rates. In the public sector, taxpayers will bear the burden.

At press time, the assembly had passed AB 495 and sent it to the Senate. It is up to voters to let their lawmakers know we do not want this bill passed. It may be our last chance to avoid yet another health care crisis.

COMMENTS
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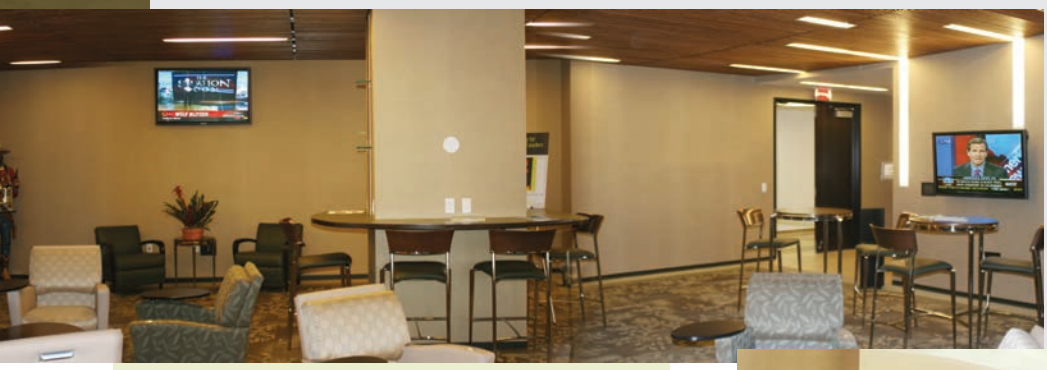

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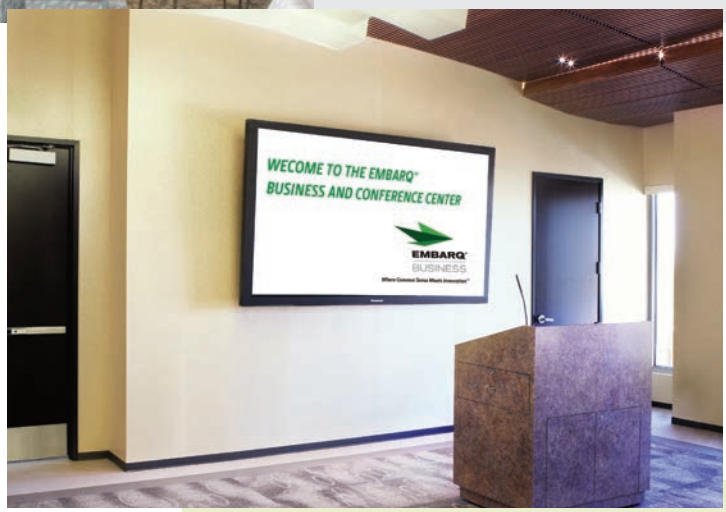

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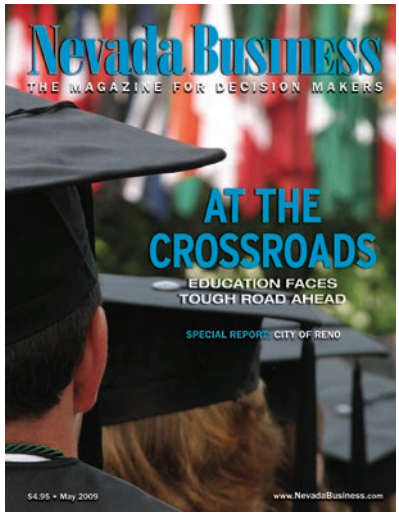
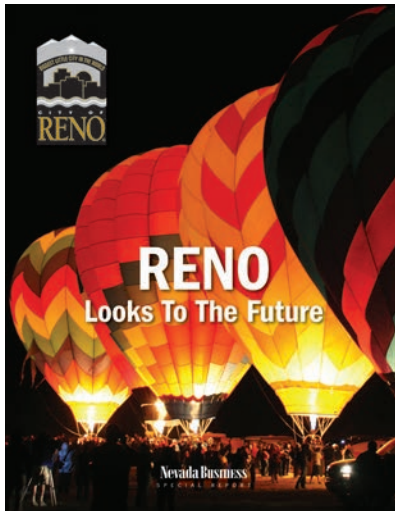


COVER STORY:
Educators must make tough decisions regarding budgeting and accountability to ensure a successful future for Nevada's students.

BUILDING NEVADA:
Gary Congdon of Lee & Sakahara Architects (left), Christopher W. Larsen with Dekker/Perich/Sabatini (center) and Steven Carpenter of Carpenter Sellers Associates are among the architects who discussed the future of the architectural industry in Nevada.



SPECIAL REPORT:
The City of Reno has completed many of its Downtown renovation projects. Find out how these projects are changing the way people live, work and play in this newly revitalized area.

CONTENTS

FEATURES

BUILDING NEVADA

DEPARTMENTS

AT THE CROSSROADS

Education faces tough road ahead

Public education in Nevada is again being threatened with slashes in funding – but there are two sides to every story. The recent budget spotlight is prompted by Governor Jim Gibbons' proposed state budget, which has cut funding for public education. This follows two previous funding cuts that led to eliminated programs and staff layoffs. Now, additional services, classes and employees are in jeopardy, and increased college tuition rates are a real possibility. But many contend that Nevada's public education system is long overdue for a thorough audit.

Before the first reduction in government subsidy in December 2007, the public education system was making headlines for under-performance. Among other concerns, growing numbers of students were failing the high school proficiency exam; the high school dropout rate was elevated; and the college graduation rate was low. Today, both academic and financial problems plague the Silver State's entire public education system.

"There really is a crisis in education at all levels," said David Ashley, president of the University of Nevada, Las Vegas.

School officials claim they need more funding whereas others want greater accountability from our educational institutions. All eyes are on Nevada's legislators to see if and how they address these issues.

"This state is really at a crossroads with the decisions they have to make and the stand they're going to take with regard to a fundamental need in this community—education," said Paul Dugan, superintendent of Washoe County School District (WCSD).

K-12: Academic Shortfalls

The kindergarten through twelfth grade (K-12) component of the state's public education system is failing many of its students and needs reform, said Patrick Gibbons (no relation to Gov. Gibbons), education policy analyst at the Nevada Policy Research Institute (NPRI), a nonprofit organization that researches public policy issues affecting the state.

In 2007, only 57 percent of Nevada's fourth graders could read at a basic level, according to National Assessment of Education Progress (NAEP) exam results. Minority students fared worse than their peers. Only 42 percent of African Americans and 42 percent of Hispanics read at a basic level. Complicating this issue is many students entering first grade are unable to speak any English, said Walt Rulffes, superintendent of the Clark County School District (CCSD).

About 56 percent of Washoe County high school students (and a lower percentage in Clark County) earn a diploma. "I think that's shameful," said Rulffes. "Our graduation rates are much too low and our dropout rates are much too high."

Silver State students do not graduate because they can easily land jobs, are not engaged in school, and/or lack sufficient credits, or fail the proficiency exam and give up, Rulffes added.

Additional challenges for CCSD are the 40-plus percent transiency rate, students who change schools during the year, and the 27 percent remediation rate, students who still need remedial classes.

These problems have intensified because no government-imposed accountability measures are in place, Gibbons said. Schools and personnel that perform poorly do not face consequences. Also, little competition exists in the Nevada system, and parents have few or no school choices, he added.

WCSD and CCSD have made efforts to improve the academic problems at their schools. For example, the WCSD's New Horizons pilot program puts academically struggling second graders in an intense, 15-month program, Dugan said. Another, Jump Start, is a summer program for eighth graders at risk of dropping out.

CCSD requires all high school freshmen to take college-preparation classes unless their parents opt them out, Rulffes said. It has instituted full-day kindergarten when possible, launched five technical academies and opened 17 empowerment schools (schools with fewer restrictions, greater autonomy and incentive pay).

"The community should look for and expect school choice throughout the district," Rulffes added.

Funding Issues for K-12

K-12 education in Nevada is underfunded, and further budget cuts will degrade the quality of education provided, Dugan and Rulffes agreed. However, NPRI's Gibbons said that K-12's problem is wasteful and unnecessary spending rather than insufficient funding.

"They have more than enough money to educate these students," he added. "They're not spending it wisely."

Dugan and Rulffes said they're doing everything they can to use the district's funds efficiently. CCSD has reduced its energy costs by about $7 million annually, cut 12 percent of its administrative costs, generated about $15 million in corporate funding and instituted the ISO 9000 program (standards to ensure efficiency), among other efforts.

"We've been as creative as we can," Rulffes said. "We'll just have to cut deeper into those program areas and cut services to students. We're going to be placed in a position where we're not even going to be able to hold our own."

Continues on page 46

Federal Incomes Taxes Need Overhall

A new national survey commissioned by the Tax Foundation and conducted by Harris Interactive shows a majority of U.S. adults think that federal income taxes are "too high" (56%), while four in every five adults say the federal tax code is complex (85%) and say that the tax system needs to be completely overhauled (82%).

Healthcare Costs Trumps Job Loss Concerns

The annual Health Security Index survey, commissioned by Catholic Healthcare West, was conducted by Yankelovich (part of The Futures Company) to measure perceptions of individuals' confidence about their healthcare. A nationally representative survey found that 69% of adults in the U.S. said they were worried about the cost of health care, while just 37% expressed similar concern about staying employed. The affordability anxiety is even affecting higher income families, where households earning more than $75,000 saw healthcare cost concerns jump from 39% last year to 50%.

Traditional Job Loss Outweighs "Green" Job Creation

While some U.S. politicians point to Spain as a model for how government subsidies can create "green jobs," a groundbreaking new study documents that every renewable job created by the Spanish government destroyed an average of 2.2 other jobs. Each "green" megawatt installed in Spain destroyed 5.39 jobs in non-energy sectors, the study found. If U.S. subsidies to renewable producers achieve the same result -- and President Obama has held Spain up as a model for how to subsidize renewables -- the U.S. could lose 6.6 million to 11 million jobs while it creates three million largely temporary "green jobs," the study predicts.

Tourism

Resort Industry Suffers Downturn

Whether it is the snow of Lake Tahoe or the slots of Las Vegas, people have been coming to Nevada in record numbers for decades – up until 2009 that is. The economic recession has hit the Silver State with a vengeance. Hotel occupancy rates in Northern and Southern Nevada are seeing double-digit declines. The crown jewel, the convention industry, has also taken a big hit. Both major cities are pulling out all the stops in a bid to lure travelers back.

"The national economy is putting pressure on nearly every industry, and travel and tourism are impacted more than many other industries when consumer confidence is low," said Jeremy Handel, public relations manager for the Las Vegas Convention and Visitors Authority (LVCVA). "We expect 2009 will be softer than past years, but we are confident in the long-term strength of the Las Vegas brand. We will come out of this as strong as ever."

Conventions – An Uphill Battle

The consequences of the national confidence crisis have manifested most poignantly in the state's hotel occupancy rates. Both Reno and Las Vegas are down 20 percent, which puts Las Vegas at 70 percent and Reno at 64.5 percent occupancy this spring. To combat these numbers, three-star hotels in Las Vegas are offering double-digit room rates, even though the LVCVA says March is one of the city's busiest months for conventions.

"March is among the three busiest months for meetings and conventions, along with April and October. Las Vegas typically hosts anywhere from 2,300 to 2,700 events in March," said Handel. "The trade show season actually gets its start in January with the International Consumer Electronics Show and really picks up steam in the spring."

Between April and June, Las Vegas will draw some 400,000 people for conventions. Most of those visitors come for three events; between March and July, the US Bowling Congress Championships & National Convention will bring 150,000 people to Cashman Center in Downtown Las Vegas, the National Association of Broadcasters will bring 98,000 people to the Las Vegas Convention Center in April, and a few weeks later in May, the World Hardware Show will welcome 50,000 people to that same space.

March typically brings tens of thousands of college basketball fans to Southern Nevada. The West Coast Conference Championships was played at the Orleans Arena in early March, followed by

the Mountain West Conference Championships at UNLV's Thomas & Mack Center one week later.

"Las Vegas has hosted the Mountain West Conference tournament for two years under the current contract, and the event attracted nearly 9,400 attendees in 2007 and more than 8,500 in 2008, accounting for over $4.5 million in non-gaming economic impact each year," said Vince Alberta, vice president of public affairs, LVCVA. "The West Coast Conference tournament was held here for the first time in 2009, and we have not had a chance to finish compiling statistics. Overall, the feedback from conference officials, the teams and the fans has been very positive," he continued.

After those two championships wrapped up, the money rolled in. Three weekends of NCAA Men's Basketball Tournament games brought in more than $60 million to Nevada sports books, second only to the Super Bowl.

Basketball fan Allan Roose has been coming to Las Vegas for 25 years to watch the March Madness games. He lives in Dayton, Ohio which hosted eight teams in the first round.

"I used to come with a buddy of mine, but now my wife comes with me," Roose said. "I come down here [to the Las Vegas Hilton sports book] at 6 a.m. to get my seats for the day, and then I place my bets when the windows open at 7. It's tradition."

National Spin Hurts Nevada

But in the first quarter of 2009, Las Vegas' number one industry was hurting badly. Between December and February, 340 companies cancelled their plans to meet in Las Vegas. The LVCVA stated that loss equals $132 million in money not spent at local restaurants, shops and businesses.

"While there have been cancellations, and that has received most of the media attention, the overwhelming response we've heard from our customers is that they are excited about holding their event here," said Cathy Tull, LVCVA's senior vice president of marketing. "We're getting a lot of support from our client base, and many have even helped us in providing testimonials and conducting media interviews to support the industry and Las Vegas."

In early February, Wells Fargo cancelled its 12-day corporate trip to Las Vegas after coming under fire for accepting $25 billion in federal money after losing $2.3 billion in the last quarter of 2008. The previous all-expense-paid trips to Las Vegas included helicopter rides, wine tastings and a private Jimmy Buffett concert. A week after Wells Fargo's backlash, investment firm Goldman Sachs moved its 3-day trip from Las Vegas to San Francisco. Goldman Sachs also received $10 billion in federal bailout money, and had to pay $600,000 to the Mandalay Bay Resort to cancel its reservation.

To add insult to injury, one week later, Nevada tourism was criticized again, this time on the presidential stage. While

promoting his stimulus bill at an Indiana town hall meeting, President Obama criticized companies receiving federal bailout money saying, "You can't get corporate jets, you can't go take a trip to Las Vegas or go down to the Super Bowl on the taxpayer's dime."

Las Vegas Mayor Oscar Goodman heard about the remark at an LVCVA event, and immediately demanded an apology from the president. Goodman maintained, "Las Vegas is still the number one business and tourist destination in the world."

Goodman says he made multiple attempts to contact the White House even going to Washington, D.C. to fight the perception that Las Vegas is not a good place for business gatherings. A few weeks later, White House press secretary Robert Gibbs addressed the president's remarks, "The president believes it's important to have a strong tourism industry and it's important that, as the president said earlier…that we shouldn't retrench. He would encourage people to travel."

But the damage was done. Nevada tourism officials said the president's words discouraged companies from traveling here for fear of being perceived as wasteful. The LVCVA's marketing partner, R&R Partners, immediately began a campaign to lure businesses back to Las Vegas. They ran a full-page ad in The Wall Street Journal asking companies to come back to Las Vegas for meetings. They've also begun advertising in consumer business publications and convention trade publications.

"Our sales staff has been on the road, meeting face-to-face with current and potential clients to promote travel to Las Vegas and to gauge the sentiment of the business community with regard to meetings and specifically meetings in Las Vegas," Tull said.

"These are the major marketing efforts that have worked best in the past," said UNLV Business and Economics professor, Dr. Keith Schwer. "But, there is a real difficulty in altering the branding effort of 'What Happens Here Stays Here,' to something that implies Las Vegas is not just a place for frivolity."

Pain Felt Statewide

In 2008, the Reno-Tahoe area welcomed 4.6 million visitors, but they're expecting much less this year. The Reno-Sparks Convention & Visitors Authority has already seen a drop in conventions and trade shows as well. There were only a handful of events booked in April, May and June including: the Alpaca Western Extravaganza, the International Science & Engineering Fair and the Green Variety Expo.

Reno will also host its own athletic championships with the US Bowling Congress Women's Championships going on through July, and it will host two Northern California Volleyball Association events this summer.

Even with major events in both cities, Nevada tourism could continue to suffer because of state budget issues. Thanks to new legislation, the room tax in Washoe County will increase 1 to 13 percent on July 1, 2009, and from 9 to 12 percent in Clark County. Part of that money will go to funding public education, and 3/8 of every percent of that tax goes to the Nevada Commission on Tourism (NCOT) to fund its work. NCOT says for every dollar spent on advertising Nevada as a destination generates a return on investment of $20 in state and local tax revenue. But pending legislation could affect NCOT's marketing budget.

"Reductions could have a negative impact on the state's ability to promote and reach markets via media and other resources funded from the NCOT," said Ellie Oppenheim, director of the Reno-Sparks Convention & Visitors Authority (RSCVA).

Even though the summer months are usually big moneymakers for Northern Nevada tourism, Oppenheim says it is going to be much slower this year. She says travelers nationwide have shown they are staying closer to home and taking shorter trips. With that insight, the RSCVA is focusing on short-term, consumer-oriented marketing efforts

Continues on page 51

NEVADA BUSINESS

Industry Focus

SOCIETY OF INDUSTRIAL AND OFFICE REALTORS

BACK ROW, LEFT TO RIGHT

Randy Broadhead, CBRE
Michael Dunn, Commerce CRG/Cushman & Wakefield
Dean Willmore, Prudential/CRES-IPG
Brad Peterson, CBRE
Sue Smith, Argent Commercial Real Estate
Soozi Jones Walker, Commercial Executives
Taber Thill, Colliers International
Pat Marsh, Colliers International
Art Farmanali, Prudential/CRES-IPG

FRONT ROW, LEFT TO RIGHT

Charles Witters, Lee & Associates
Xavier Wasiak, Grubb & Ellis
Tom Naseef, Coldwell Banker Commercial
Donna Alderson, CBRE
E.J. Paul Sweetland IV, Colliers International
Mike Hillis, Commerce CRG/Cushman & Wakefield
Dan Doherty, Colliers International

Recently, more than a dozen SIOR (Society of Industrial and Office Realtors) commercial real estate executives gathered at the Las Vegas offices of Holland & Hart, LLP. The commercial real estate industry was among the hardest hit when the economy entered the current recession. The brokers discussed how business has changed, the increasing number of commercial foreclosures and the silver lining. Connie Brennan, publisher of Nevada Business Magazine, served as moderator for this monthly event that brings leaders together to discuss issues pertinent to their professions. Following is a condensed version of the roundtable discussion.

State of the Industry

Commercial real estate has been struggling to find balance in today's economy. The panel shed light on the biggest changes the recession has brought to their industry and the way they have adapted.

Donna Alderson: We're cold calling a lot again, which I haven't really had to do aggressively in over 15 years.

Tom Naseef: "Hunker down" is what characterizes my plans.

Xavier Wasiak: I feel like I'm always trying to reinvent myself. I find myself sitting down with my team on a more regular basis than usual and trying to think about ways to reach users.

Mike Hillis: One of the challenges we are facing is that lots of out-of-state brokers are trying to do transactions in Nevada where they aren't licensed. Nevada is unique in that it has strict laws regarding licensing. I get it from our brokers all the time when someone from out of market is trying to do a deal here and that's illegal. It's a problem for everyone, especially the out-of-state broker because the developer can just refuse to pay. The broker wouldn't have legs to stand on. It's pretty prelavent and anybody representing landlords sees it all the time.

Tenants Versus Owners

The commercial real estate industry is currently adjusting itself to the role reversal of tenants and owners. The brokers offered their opinions about the current opportunities for the end user and the uncertainty that plagues the marketplace.

Dean Willmore: We're seeing the exact opposite of what we saw a year ago, where sellers were absolutely unrealistic about pricing. Now buyers are totally unrealistic. With prices in a free fall, how do you value real estate right now? You can't use comps because there are no comps, you can't really use the income approach because rents are all over the place, and what cap rate do you use? In my opinion, the only way to really value it is the replacement cost approach.

Art Farmanali: Also, there is some substantial rental abatements. If someone is signing a five- or seven-year lease, I've seen landlords giving as much as six months free rent. So that's an incentive for a lot of end users because the consumer confidence still needs to be restored.

Alderson: What I'm finding is that landlords are seeing the picture a little more clearly and are listening to us. If we have ideas and recommendations, at least my clients are saying, 'Okay, we'll offer different incentives, we'll be more aggressive or we'll lower the rent.'

Dan Doherty: I don't think that end users are taking advantage of the current situation. I think they should be committing to longer term deals and taking advantage of the market, whether it's upfront rent abatement concessions or flat leases.

Pat Marsh: As much as the landlord doesn't know what the market is going to look like in three years, tenants don't know, either. They don't want to commit to five or seven years, because they may need more or less space in five years or they may have to walk away from the lease.

Wasiak: I think it's more internal economic issues that are affecting them [the tenants] that we really never get to hear

about. They don't have a clue, like a lot of us, about exactly what's going to happen, so they're really waiting to pull that trigger.

Charles Witters: It seems like all the tenants we are dealing with are here in town and they are moving from one building to another. Very few are upsizing, in fact, they're mainly downsizing. When a tenant moves from one building in town to another building in town, it doesn't help net absorption at all.

Randy Broadhead: A few years ago, we had 30 to 40 percent of tenants coming from outside markets; today that number is very small.

Brad Peterson: Falling tenant improvement costs are allowing landlords to be a little more competitive on other concessions in the market. They can give a little more free rent and discount the rental rate. They are not having to the spend tenant improvement dollars the way they would have two to five years ago. Now they can use that same pool of money and be more competitive to get tenants.

Asking Prices

In the recent past, per square foot rental rates varied widely across product type, the turn in the market has narrowed that gap. The participants discussed the current rates as something they haven't seen in the last decade.

Willmore: There is tremendous rent parody in the market right now. You used to have a pretty wide range, where warehouse rents were 42 to 45 cents a square foot and Class A industrial product was up to $1.45 a square foot. There was a big range in rents depending on location and amenities. Now that spread has gotten really narrow. None of the previous criteria matters anymore because only the best locations right now are even seeing offers to lease. Some tenants have pretty unrealistic expectations on where the rents should be because of the media telling them the market is so bad; as such, the offers are really low.

Doherty: We are back to the rental rates of 12 or 13 years ago. The process of valuing a building is so difficult to determine right now. Appraisers are looking at asking prices right now, which I have not seen them do in 19 years. So if there's one or two comps that they can put their fingers on, and then they'll use seven to eight asking prices, which is really crippling the people who are still making good deals.

Taber Thill: We're seeing fully improved office buildings that are trading at shell prices right now because the people that did the improvements are not getting the credit for those improvements, maybe 50 cents on the dollar.

Marsh: I think we're even beyond that. I submitted a proposal, a three-year lease and asked for three months free rent. The landlord countered and gave me a three-year lease and offered six months free rent without me even asking for it. So I would say turn the clock back further than 12 years.

Sue Smith: In our market up north, Pro-Logis is just saying, "Make an offer." Not even putting a price out there.

Bouncing Back

When the brokers were asked if the market had hit the bottom, a variety of responses were put forth.

Connie Brennan: What do you feel will cause the market to turn around?

Michael Dunn: Job growth.

Smith: Job security.

Broadhead: The national capital markets have to loosen up.

Peterson: You've got to see development in the Valley again to really have it come back.

Soozi Jones Walker: It's consumer confidence. That's going to create everything else. I think people are bombarded 24/7 and all they see is doom and gloom. People need to be able to feel confident that they can go back and start purchasing and going on vacation again without the fear that they're going to lose their job tomorrow afternoon.

Doherty: I think we're close to the bottom on for-lease product. There are still landlords out there who are living in yesterday's prices, but they're going to have to face reality. On for-sale product, there have not been enough transactions to say we're at the bottom.

Naseef: I think what's happening in the market is that people don't understand the movements the government has made with the stimulus package. There's a lot of confusion out there as far as people going out and feeling comfortable and secure. The federal government has to do a really good job in their public relations efforts to get more people to understand what they're doing and what the future effects are going to be before the developers start building.

Willmore: CoStar did a survey, and the results indicated 80 percent of the respondents felt the market had not bottomed yet. But I still think it's all public perception. And just like this market turned on a dime, it's going to turn on a dime for the better before you even know it. And I agree 100 percent with Dan that, tenants are taking advantage, but maybe not as much as they should be, and buyers are definitely not taking advantage of being able to buy buildings right now and get the land for free.

Doherty: I think the recovery is going to happen like a mushroom cloud. It's going to start right near the resort corridor, and it's going to work its way out. Just like it happened in reverse on the downturn.

Banks Reclaiming Properties

Foreclosures are affecting every aspect of the commercial real estate industry. The brokers discussed what future foreclosures could mean.

Willmore: We keep expecting this enormous wave of foreclosures in the market. But if you look at the commercial notices of default that the title companies send out every week and you really go through the APN numbers, most of it is vacant land or residential. I think it's a bunch of bull that we're going to see this huge wave of industrial foreclosures in the market.

Jones Walker: From a banking perspective, when they gave all these construction loans, they had interest reserves built in, and typically, it was a two-year construction loan with a guaranteed roll-over of either 12, 18 or 24 months, depending on what you wanted to prepay in the way of points. Well, on the guaranteed roll-over, they got interest reserves, too. The reason we haven't seen this come out is there's interest reserve accounts set up on virtually all these construction loans. They've been sitting there, the banks have been paying themselves, and that's why the banks have tanked, because nobody really knows what's in there because that's privileged information. So the question is when did the big construction loans start?

Doherty: On the industrial side, I think we're going to see some effects of the foreclosure market. There was about a million and a half square feet of for-sale buildings built last year, a portion of which will probably be foreclosed on. But it's not significant in the scheme of 105 million square feet in the whole market. So we will see some effects of the foreclosures, but by no means is it going to be significant and affect the whole market. You're going to see some substantially below market sales when that stuff is unloaded, or whoever buys these notes and ends up taking the property back can do some incredibly aggressive lease deals.

Wasiak: I think we're seeing telltale signs of that now. I'm starting to see some buildings for sale, especially on the user side, with prices in the southwest that I don't think we'll ever see again.

Silver Lining

The brokers shared their thoughts on the opportunities the market has created as well as where solutions will originate.

Dunn: We went to an extreme here in residential and on the land side. Frankly, I think we need this land that's been leveraged to go back to lenders, because they're the only ones really capable of being able to write it down far enough to benefit us in the long term where future development is more feasible because the land is priced back down to reasonable levels.

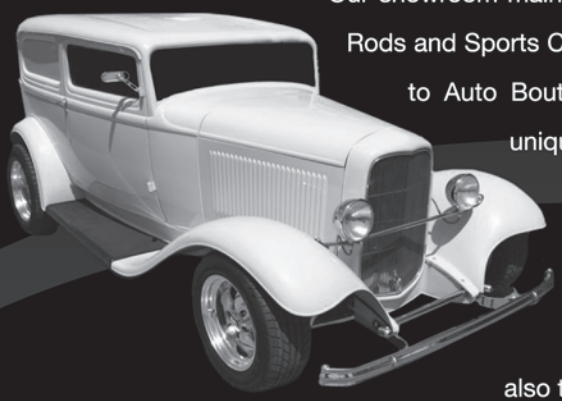
Doherty: That's really the solution to the scarcity of land in the Valley. To take all the owners, you take all their property away, and you sell it at 40 percent of market, and then your scarcity goes away. That's going to happen to a fair amount. I mean, there are people out there still looking at land at the Speedway at $12 bucks a foot. That's a $4 to $5 market, in my opinion.

Witters: On a positive note on shell space, all of us office brokers have worked on deals in shell space buildings, and thought we had the deal done until the TI bids came in, and then we had to go to second generation. Tenant improvement costs have come down so dramatically that landlords are able to provide turnkey at a reasonable rate. I think, instead of the trend for the last year of just having to go to second generation space, hopefully we're going to be able to fill up some of these new buildings, or at least start putting tenants into shell space buildings.

Jones Walker: I think Class B space is going to be what leads us out of it. A lot of our Class B office space is owned by regional or local developers that do have deep pockets, and they've got the ability to turn that big ship on a dime. The silver lining is that so many buildings are actually controlled and owned by local people. It's local people that solve local problems, not governments.

Peterson: More and more now, it's not just location, location, location, but it's who can provide the competitive deal. All of a sudden you're seeing a little shift and certainly in economics, people look at the bottom line. They're willing to move from Class A buildings to a Class B building for the first time I've ever seen.

Auto Boutique



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Nevada Hospitals Among Nation's Best

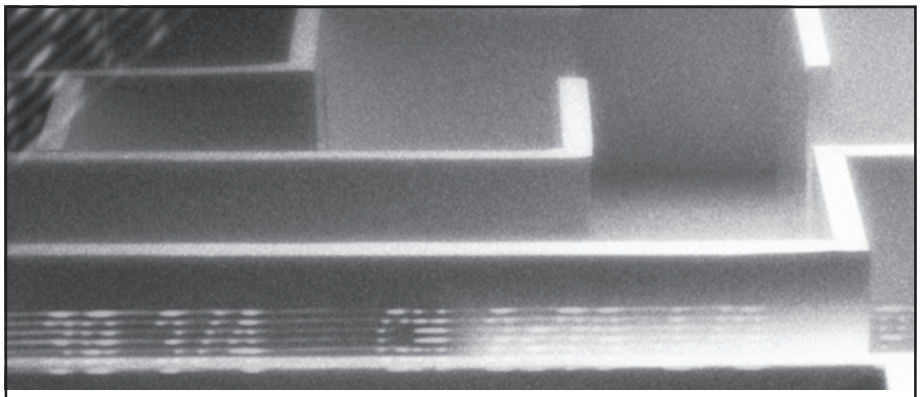
Consumers' Checkbook, a non-profit watchdog group, surveyed doctors from across the country asking them whether and where they recommend patients seek care in their own and other communities for difficult cases including complicated heart conditions, cancer and other unusual ailments. From 140,000 hospital ratings, the organization published a list of the 125 best hospitals in the nation's 53 largest population centers. St. Rose Dominican Hospitals–Siena Campus and University Medical Center were the two top-rated hospitals selected in Nevada.

Nevada State Bank Acquires Great Basin Bank

Nevada State Bank, in a whole bank transaction, has obtained the banking operations of Great Basin Bank of Nevada. The transaction was facilitated by the Federal Deposit Insurance Corporation (FDIC). The acquisition adds five locations to Nevada State Banks Northern Nevada operations.

MGM MIRAGE Receives Bank Support

Under a newly obtained amendment, MGM MIRAGE's senior lenders have provided the company with the ability to pay the full amount of current construction costs for CityCenter. This amendment allows MGM MIRAGE to fund Dubai World's share, should Dubai World not do so. MGM MIRAGE remains committed to finding a long-term solution to the financing of CityCenter to ensure the completion of this important project.



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Bank of George
Las Vegas

Number of Employees: 33

Years in Nevada: 30

Years with Company: Founded in 2007

Describe your leadership style:
Lead by example and give people both autonomy and accountability. Choose employees who share a commitment to integrity and excellence.

Best business advice:
Take care of your employees and they will take care of your customers.

How do you retain your best and brightest employees:
Recognition of their talent and hard work, development of their potential and rewards for their contribution to the bank's success.

What three values do you hope to pass on to your employees?
Strong leadership, integrity and dedication to community.

What is your favorite book and why?
I thoroughly enjoyed reading *George Washington on Leadership* by Richard Brookhiser several months ago because I learned little known facts about our first president. His steady grace and how he recovered from the mistakes he made along the way of forging a new country are inspirational. So many of the customs and institutional foundations we have in our country now are due to his selfless service to his fellow man.

What do you like most and least about your industry?
Most – providing a professional service in a caring way allows me to make a difference for many business owners and professionals that bank with me. Least – the misconception that if a bank turns down a loan request, that we are doing the customer a disservice. In fact if a customer takes out a loan that they are unable to repay, the negative consequences for them are always proportionately greater than the loss the bank suffers.

Protection From Mortgage Fraud And Scams

The "mortgage crisis" is now familiar to all Nevadans. As the mortgage crisis continues to unfold, record-breaking home foreclosures will be experienced and many homeowners will be forced to make tough choices.

Nevada is number one in the nation for foreclosures, with one filing for every 70 households. Foreclosure scams are a statewide problem. Many people who never thought they would be faced with losing their homes now find themselves without resources to maintain their mortgages and are forced to relinquish their property to their bank. It is at this point the homeowner is most vulnerable to mortgage scams.

The Attorney General's office has formed a Mortgage Fraud Strike Force to take action against predatory "mortgage rescue" companies and individuals claiming to offer services to stop foreclosures. The task force utilizes existing resources within the office, and works closely with other state agencies with regulatory authority over mortgage lending. This task force has successfully investigated and prosecuted a number of cases despite its limited resources.

However, citizens must take steps to protect themselves from these scams and should become aware of fraudulent foreclosure rescue schemes.

The mortgage crisis has spawned a cottage industry of companies that promise to help troubled homeowners negotiate modifications to their mortgages for a fee. They call themselves "Loan Modification Specialists." While some companies may be legitimate and perform the services advertised, some are outright scams being perpetuated by con artists. They work because they offer a lifeline to homeowners desperate to stay in their homes. Often homeowners agree to pay as much as $3,000 to $5,000 in upfront fees in exchange for a promise to reduce their monthly payments.

Recently, the Attorney General's office filed a complaint against a Loan Modification Specialist who told homeowners he would purchase their houses and land for a price which equaled the sum of the out-

standing mortgages, plus a small cash payment and promised he would pay off the mortgages to prevent the property from being foreclosed upon by the mortgage holders. The scammer requested the homeowners sign a Grant Bargain Sale Deed, and Declaration of Property Value Form, which indicated a transfer of the property from the homeowners to various corporations alleged to be wholly owned by the homeowners. The documents were false and fraudulent because the homeowners were not the owners of the corporations and the sole purpose of the transference of the properties to the corporations was to allow the scammer to record the Grant Bargain Sale Deeds in the name of the corporations in order to conceal his identity and avoid payment of transfer taxes to the county.

In a recent Nevada case, the con artist offered a 100 percent money back guarantee, claiming his company would refund the money if the foreclosure could not be stopped. In another case, the victims paid a monthly charge to the scammer in addition to the hefty upfront fee for the duration of the loan modification process. In both these cases, no services were performed and the money back guarantee was a false promise. The Office of the Nevada Attorney General has received hundreds of complaints in this area and more often then not, homeowners have borrowed and charged on their credit cards with hopes of saving their homes.

To avoid becoming a victim of a Foreclosure Rescue scam homeowners should be aware of the following warning signs from a company calling itself a "mortgage consultant," "foreclosure service," "loan modification specialist" or something similar; the company or specialist requests a fee before providing services; the company or specialist tells homeowners to make their home mortgage payments directly to the individual or company and not to the mortgage lender; the company or specialist tells the homeowner to transfer his property deed or title to the company; the company promises "guaranteed loan modifications." No one can "guarantee" a loan modification or can "guarantee" the ability to stop a foreclosure.

Additionally, remember the following: Don't panic. Become informed and talk to your lender; don't sign a contract under pressure; don't sign away ownership of your property, often referred to as a "quit claim deed;" don't pay your mortgage payments to someone other than your lender even if they promise to pass them on to the mortgage company; don't sign anything with blank lines or spaces; if you seek assistance from a licensed debt credit counselor – be sure they are a HUD approved agency or check with the Nevada Mortgage Lending Division.

For further information on "foreclosure rescue" scams or questions about the services provided by a loan modification company, contact the Attorney General's Bureau of Consumer Protection.

By Catherine Cortez Masto, Nevada Attorney General.

Building Nevada

Gary Congdon of Lee & Sakahara Architects (left), **Christopher W. Larsen** with Dekker/Perich/Sabatini (center) and **Steven Carpenter** of Carpenter Sellers Associates are among the architects who discussed the future of the architectural industry in Nevada.

ARCHITECTS

DESIGNING AROUND ECONOMIC TURMOIL

Survival Tactics

Today's construction climate in Nevada is a reverse from what has been seen in the past. Projects are fewer and farther between and every sector of commercial development has been affected in some way. Even so, some of the state's top architectural firms are thriving despite it all. Public works projects have become much more prevalent and a backlog of work has kept architects going when all else seems to be at a standstill.

"I have not seen it this slow in 36 years," said Gary Congdon, principal at Lee & Sakahara Architects in Las Vegas. "Business is down significantly, we have two years worth of projects on hold at this point. Projects that are fully entitled, with the planning done, are completely on hold."

Without fail the single largest contributor to the holding pattern mentality is the lack of available financing. The absolute illiquidity of the financing markets is the culprit holding up development. According to Congdon, a developer cannot get financing on a speculative development unless it is preleased 50 percent or more. "Now, 10 to 15 years ago, that kind of preleasing was the norm, but over time we got away from that, to the extend that a developer could get financing with no preleasing based on portfolio performance. The speed at which the financing landscape changed is what has taken the building trade by the throat."

Many firms are retooling their entire operating structure, revenue streams and business model; while other firms are merely trimming their expenses and hunkering down in order to ride the economy out. "Historically, we maintained a 50/50 balance of public and private work, but now that ratio is more like 80/20," said Christopher Larsen, managing partner with Dekker Perich Sabatini in Las Vegas. "We are very fortunate that we maintained a good balance of public and private work, because we are seeing a lot of private sector only firms struggling to transition to public works."

Congdon echo's Larsen's comments when he explained that, "A firm could get hurt badly in a financial sense if they have never done a public contract before and don't do their research before submitting a bid."

The Ugly War

How fierce is the competition? "It's getting very ugly," said Larsen. "There are firms sending out mass emails to brokers offering free space planning and work up front on tenant improvements for free with no guarantee of a contract. You just can't compete with that." The price war is traditionally one of the most brutal fights in recessions and this instance is no exception. The firms interviewed all said they have, of course, adjusted their prices to reflect the economic conditions, but that they simply won't engage in severe fee reductions.

"When you see bids coming in with fees that are 50 percent of what they should be,

you ask yourself how can they do the work properly and put together a good set of drawings. The honest answer is you can't," said Congdon.

The price undercutting that is typical in commodities spells out an entirely different scenario when it pertains to professional services such as building design. It leaves some to wonder whether or not there might be projects being designed that have inferior quality and documentation.

Employment Woes No Longer

Three to five years ago architectural firms in the Las Vegas Valley couldn't find enough available talent. Today, what a different landscape it is. "I must get a resume across my desk every other day," said Congdon. "There are a lot of experienced, well-qualified architects out of work right now, much more than the unemployment statistics let on."

Pete Blakely, president of Reno-based BJG Architects seconds Congdon's thoughts when he stated, "It is really frustrating, because for years we were unable to get good people and now suddenly there are some good people out there looking for work, but you just don't know what you would do with them if you did hire them. Right now, we would make some strategic hires if and only if the right person walked through the door."

The other employment challenge this industry is facing, as are many others, is the expertise loss which is exiting with retiring Baby Boomers. Most of the professionals consulted for this article shared the same thoughts on these circumstances; that yes, a loss of talent will be felt, but that architecture is a changing industry, where the youth have an undeniable advantage in their technological astuteness. Additonally, the industry is still considered glamorous enough to draw ample students into university programs across the country.

Training Future Architects

The University of Nevada Las Vegas founded its School of Architecture (SOA) in October 1997 and remains the only program accredited for architecture in the state. In the fall of 2008 the Downtown Design Center opened in a renovated primary school in Las Vegas. The center hosts specialized studios, the Klia Juba lecture series, and is home to the state and local chapters of the American Institute of Architects.

"The SOA is great, it is a significant resource for the community," said Steven Carpenter, owner of Las Vegas-based Carpenter Sellers Architects. "There are so many important things such as idea generation that happen in the school environment that don't and cannot happen in the professional community. This town benefited greatly by having that school open up."

That enthusiasm is not shared by all architects, in fact, there is a very tangible sentiment in the architecture community that the SOA has a long way to go before it earns their respect. "They need some strong leadership," said Larsen. "I know they are looking for a new director right now. Also,

Pete Blakely of BJG Architects

the programs need some balance, right now there is too much theory and design. They need to get students out on construction sites for real world experiences."

Public Works Projects

With the private sector at a standstill, the only signs of life are in the form of public works projects, and that means that everyone is going after the same work in a bid to keep the doors open.

"Public works truly is the lifeline right now," said Blakely. "There are so many firms pursuing any given public works project, it's tough to differentiate yourself. We used to have a 30 to 40 percent hit ratio (ratio of jobs awarded to jobs pursued) and now I would say it's a 5 to 10 percent hit ratio. Instead of five or six firms submitting, projects are seeing 30 to 40 firms submitting."

As the government continues to build, while the rest of us sit firmly on the sidelines, a long standing battle comes to the forefront; the awarding of state public works projects to out-of-state firms.

"I find it very troubling that taxpayer-funded projects are being awarded to firms outside of Nevada," stated Larsen. "The private sector has every right to bring in 'starchitects' for their projects, but I see no reason for it on the public side. We've been told that local firms just don't have the expertise – frankly, I don't agree with that."

Congdon feels the same way as Larsen, but goes even further when he chides owners for overlooking the massive talent right here in the Valley. "I've always been proud of what my fellow architects have done," said Congdon. "It used to aggravate me to no end that developers went outside of the city. We have good quality firms who know the local environment."

Recovery, Architect Style

The recent stimulus package, the American Recovery and Reinvestment Act, is intended to provide funding for public works projects throughout the state. At this point, the funds have been received and the Legislature is in the process of appropriating the monies to different projects. The most pressing concern arising out of the architectural community is the need for pencil-ready projects.

"Traditionally, shovel-ready projects, those in the construction phases, are what get the most appropriations," said Congdon. "But once the work is completed on those in a year or so, there will be a lull in construction work because there was no funding for projects in the design phases."

The challenge becomes creating awareness for this issue. Blakely states that, "Shovel-ready projects are of no use to architects, but politically architects that earn pretty decent livings aren't going to get any sympathy nor do we have the lobbying power to get our voices heard. Honestly though, anyone who thinks the government can act quickly enough to produce work for our industry is just kidding themselves."

For many of the state's architectural firms, economic recovery cannot come soon enough and it is their belief that for a turnaround to occur, all it would take is one or two projects to come back online. The point that cannot be stressed enough about the eventual turnaround is this: it still takes almost the same amount of time for architects to get their work done. From the beginning of the project to doors opening, that timeline is around two years and if owners and developers want to be operational in 2010, now is the time to get started.

- Alexis K. Burke

Continued from page 9

WCSD has left district-level positions open, has impartial committees that oversee district spending, is developing a budget process where every potential dollar spent can be tied to the district's strategic plan, and has a 2 to 4 percent "rainy day" fund, Dugan said.

"We've been trying to be conservative and good stewards of the taxpayers' money," Dugan said.

Parents and taxpayers need to know how the school districts are spending their money, Gibbons said. Both WCSD and CCSD are audited annually, the results of which are public. Rulffes said he welcomes ideas for greater transparency. Whereas WCSD is as open about spending as possible, Dugan said, perhaps it could better inform the public about goings on.

Possible Solutions

Rulffes said he hopes the Legislature allows for more high school options, student transportation funding, increased autonomy for schools and assistance for non-English speaking students.

The "optimistic hope," Dugan said, "is the Legislature comes up with a plan that permanently addresses funding. There have to be additional revenue sources. We cannot continue to rely on the unreliable."

Rather than looking to the government for solutions, Gibbons said, education needs privatization, along with more private and charter schools, tuition tax credits for parents and/or some type of corporate tuition tax credit program (Senate Bill 289 proposes this), in which corporations or private individuals could donate to nonprofit organizations that in turn would provide scholarships to low-income students. These would result in greater choices for students, Gibbons said, and thereby address the inequality in education.

"We have to open up competition to be more market-based than we've been," Rulffes said.

Gibbons advocates accountability practices and suggests teachers be paid based on merit (Assembly Bill 453 recommends this). Schools should be ranked on performance and those that consistently score badly should be closed. Value-added assessments that track individuals' achievements over time could be used.

Gibbons, however, doesn't expect great changes in K-12 education, at least this year. "If Nevada doesn't implement reforms, we're going to be stuck in the same formula, which is spend more and don't worry about accountability and results," Gibbons said. "That's a recipe for disaster."

In the future, Rulffes expects additional pressure from the community and workforce to increase the state's high school graduation rate and the quality of the graduates.

Coming Up Short In Higher Education

The primary problems with public postsecondary education in Nevada mirror those of K-12 with too few students graduating.

"The schools have a responsibility to educate these students and provide them with skills," Gibbons said. "They need to get radically innovative, actually educate students and improve graduation rates."

In 2006, the University of Nevada, Reno (UNR), graduated 48.8 percent of its total student population within six years, according to The Education Trust, a national nonprofit organization dedicated to the academic achievement of students. Over the six-year period, 40.8 percent of Latinos and 35.6 percent of African Americans graduated. This compares to the 49.7 percent of whites who graduated.

In comparison, the University of Nevada, Las Vegas (UNLV), graduated 39.2 percent of students. About 39.6

percent of Latinos and 29.4 percent of African Americans graduated, compared to 39.1 percent of whites.

Both university presidents acknowledged graduation rates are a problem and a priority. For example, this year UNLV opened its Academic Success Center, which provides tutoring, advising and other support for first-time freshmen and transfer students. It created a new student union and a recreation facility (with student fees) to improve the campus climate and culture.

UNR is working to create a "sticky campus," a place where students are engaged in all it offers, said Dr. Milton Glick, president of the University of Nevada, Reno. The university has involved more senior faculty in lower division education and appointed course concierges, who help students get needed courses. It also is improving its advising services and encouraging students to take full course loads.

Gibbons said the four-year universities' admission standards are too lax. Stricter requirements would weed out those who statistically likely will not graduate. Yet, Glick believes the solution is merely a matter of adding more top students.

In fact, the required grade point average in core high school classes for admission has increased over the past three years to 3.0 from 2.5.

Flawed System

Higher education's biggest problem is the state's education funding model, said Dr. Michael Richards, president of the College of Southern Nevada, a two-year community college. Not all of a student's tuition remains at the institution paid. Instead, 64 cents of every tuition dollar paid to a four-year university goes to the state while 76 cents of every dollar paid to community colleges goes to the state.

Also, Richards said, the government pays varying amounts per full-time-equivalent student to different higher education institutions, based on a formula. For example, the amount given to community colleges differs from that given to four-year universities.

"The net effect of that formula is to perpetuate a funding inequity that is so grave that it impedes the ability of institutions like ours to meet the needs of students," Richards said. "After a decade at CSN, we now can document, and the Regents have accepted, a $20-million inequity in our funding."

Nevada's policy is to fund higher education at 85 percent of the national average, which, "Further impedes the ability of institutions to rise above a level of mediocrity to move forward," said Richards.

The instability of the government's education subsidy is preventing better results in academic outcomes, Ashley

said. Over the past two years, UNLV has had to cut $25 million or 8 percent from its budget, UNR, $20 million or 11 percent. UNLV's annual student enrollment is about 28,000. UNR's is about 17,000 students.

Unlike UNLV, UNR and CSN, the University of Southern Nevada (USN) is not government subsidized but, rather, subsists solely on tuition (95 percent) and donations. Not relying on the government affords this non-profit, private, regional health sciences university financial clarity.

"We can easily calculate what our enrollments are going to be, and the tuition, so we can plan fairly definitively as to what our operation is going to cost," said Harry Rosenberg, the founder and president.

USN only adds new programs after a complex feasibility study is done and when financing is certain. The university has grown steadily since opening in 1999, now offering Pharmacy, Masters of Business Administration, Nursing and Orthodontics programs at its Henderson campus.

In-state, undergraduate tuition rates at UNR and UNLV are more than $2,000 lower than the national average for a four-year, public university, according to the College Board's "Trends in College Pricing." Gibbons said this discourages private colleges from opening in Nevada and falsely encourages students to assume the risk of trying to obtain a degree.

"We're in a higher education bubble right now," he said. "We're inducing students to go to college, and they're not graduating."

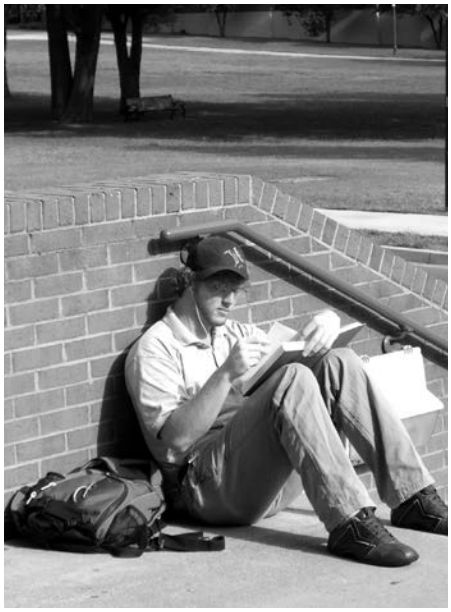
Nevada System of Higher Education's Chancellor James Rogers has indicated that increased college tuition rates would result should the system suffer additional funding cuts. Ashley and Glick agreed their students are open to paying more only if their money stays on campus and they see a return.

Gibbons said Nevada's higher education was well funded before cuts and remains so today. "It's a vicious cycle of spend more, meanwhile we're not educating."

Ashley, Glick and Richards all said they cannot eliminate anything else at their schools without negatively affecting students. UNLV has left 364 positions open, cancelled 1,000 class sessions, decreased support for administrative functions and more.

"Any more cuts and I think we're going to have to start eliminating programs that are in high demand by both students and employers," he added.

UNR has eliminated many support programs for students, including its writing center, career development center and oral history program. It has moved some programs, such as marching band, to soft money, meaning they operate only with private versus state funding. It eliminated



equestrian studies, downsized other areas of study, reduced facilities maintenance and consolidated a handful of programs into a single division of health sciences.

CSN's efforts include eliminating two administrators, increasing the minimum class size to 15 from 12 and requiring students to pay a per-credit, 2.75 percent surcharge.

The Road Ahead

University officials believe a consistent influx of state money will help them better serve their students. Glick said he hopes the Legislature finds a way to minimize damage to the university and allow greater flexibility in how schools spend money. Richards would like to see an allocation toward bridging the funding inequity CSN has experienced, some capital improvement funds (and a long shot he admits) the state's funding formula bumped up past 85 percent of the national average (SB2 suggests this). Ashley said he believes legislators realize education needs stable funding and will increase the state's investment in it.

Legislators should be concerned about results rather than money, Gibbons said. "They need a way to tie the spending of money to results," he added. "The problem is that we don't focus on results."

Glick agreed. Accordingly, he's outlined university goals and associated them with metrics for accountability purposes. Those goals include improving retention rates, fostering a culture of completion and enhancing quality of the educational experience.

"I think we ought to be judged on the students we graduate—are they well educated? Are they effective in their jobs? Do we graduate enough of them? Is the cost of that product, if you will, reasonable relative to other places," Glick added.

For the future of public higher education in Nevada, Gibbons sees more spending and no results. "It's very unfortunate," he added. "We're really harming our students, and the state itself is getting no benefit."

Glick is more optimistic and said he believes higher education will make progress but not overnight. "We will serve our state hopefully better in the future than we have served them historically," he said.

At all levels, education is a backbone to our state. Nevada's children deserve to have the best education available and it's everyone's responsibility to ensure that happens. When looking to the future, educators and government alike should work together to increase the quality of education in the state.

Doresa Banning is a freelance writer based in Northern Nevada.

Finding Financial Solutions in a Challenging Environment

It is no secret that obtaining credit is especially challenging for businesses in this market of fewer lending sources and stricter requirements. In addition, finding new ways to maximize the efficiency of cash flow is more important than ever.

If a business owner is considering a new loan, a key factor is taking the time for thorough preparation and documentation. Include detailed background on the business and performance – past, current and financial projections for the next three years. If the business' trends are down, include specifics on the steps being taken to improve the situation.

For new equipment purchases, businesses may also find a solution with significant benefits in leasing by talking to their banker and tax advisor about provisions in the American Recovery and Reinvestment Act of 2009 (ARRA 2009). Through this legislation, companies may cut their 2009 tax bill and at the same time, free up cash in the near term. The ARRA provides an additional 50 percent first year bonus depreciation, and expense limits have been increased $250,000 if total purchases are not above $800,000. Eligible equipment ranges from computers and printing equipment to telecommunications, transportation, office, industrial, construction, and medical and dental practice equipment.

To maximize cash on hand, businesses should also look to their banker and their bank's cash management advisors to make sure they are using services that will increase efficiency. Remote deposit capture service allows a business to use a bank-supplied scanner to deposit checks into accounts immediately without losing time waiting to get to the bank. Online banking makes it easier to transfer money between operating and money market accounts to maximize interest earnings. Many banks also offer "Positive Pay" service to help protect business accounts from potential fraud loss.

Last, as FDIC insurance limits have changed, businesses should review all the available options for FDIC coverage. For example, under the FDIC's Transaction Account Guarantee Program, all non-interest bearing transaction accounts of Bank of Nevada and other participating banks are fully guaranteed by the FDIC for the entire amount in the accounts through December 31, 2009. This includes all non-interest bearing accounts, IOLTA (Interest On Lawyers Trust Accounts) and NOW accounts that have an interest rate of 0.5 percent or less.

Another protection being offered is additional FDIC insurance for money market accounts as well as certificates of deposit through the WALTree program. Businesses can insure up to $1,250,000 – five times a single bank's coverage – through the five affiliate banks of the bank's parent company, Western Alliance Bancorp. A number of banks, including Bank of Nevada, also offer additional FDIC insurance through the CDARs program (Certificate of Deposit Account Registry) which provides depositors with additional FDIC coverage through the distribution of certificates of deposit funds to other participating FDIC insured banks.

Lastly, businesses need to monitor the condition and viability of their financial institution by staying current on capital levels and other key metrics that affect financial institutions' strength. Having a strong relationship with the business' banker has never been more important in helping businesses navigate successfully through these challenging times.

Bruce Hendricks is president of Bank of Nevada.

Renewable Energy: Sporadic And Costly

Renewable energy is all the rage in the halls of Congress and the Nevada Legislature. Lawmakers are pushing for higher and higher production quotas for the centrally planned electric utility industry. They would require government-controlled electric utility monopolies to produce greater shares of electricity through renewable energy sources such as wind or solar power.

The problem with this so-called "visionary" approach to energy policy is that it isn't visionary at all. Its advocates fail to "envision" the consequences of their policies. Wind and solar power are largely unproven technologies for generating electricity and suffer significant deficiencies in the two most important aspects of electric supply: cost-competitiveness and reliability.

While the cost of electricity generation from each resource varies significantly by location, one thing is clear: Even after decades of taxpayer-funded research, wind and solar power still are not cost-competitive with traditional power sources. A study by the U.S. Department of Energy itself, last year, showed that wind and solar power both currently require federal subsidies in excess of $23 per megawatt hour — compared to less than $1 for coal, natural gas and hydroelectric facilities. Given this continuing competitive failure of wind and solar power, state lawmakers have resorted to directly mandating that utilities use wind and solar power to create electricity through production quotas — so-called "renewable portfolio standards."

This sporadic nature of wind production introduces instability into the electric grid system and has directly produced power surges and rolling blackouts on grids with higher concentrations of wind or solar power, such as Texas has. Denmark exports electricity produced from wind power to neighboring grids at a financial loss just to protect the Danish grid from wind-related instability.

What makes these factors even worse is that production quotas for solar and wind power fail to achieve the supposed environmental benefits that prompt policymakers to create them in the first place. In order to ensure some measure of stability on the electric grid, grid managers are forced to back up solar and wind power generators by placing traditional power plants on "spinning reserve." This means that the traditional coal or natural gas-fired power plant continues to burn fuel on a constant basis so that the grid manager can switch over to the traditional power plant as output from solar and wind generators ramps up and down. What's more, this ramping up and down of output from the traditional power plant actually produces even more emissions than normal because the plant is not operating at maximum efficiency. Hence, production quotas for solar and wind power not only impose additional costs on utility customers, but also lead to even greater environmental degradation.

Unintended consequences such as these are typical when policymakers attempt to substitute their own politically driven decision-making for the much wider and deeper intelligence already incarnate in the marketplace. While lawmakers like to think that legislation alone is enough to drive innovation and "create jobs" in a "new-energy economy," the hard truth is that viable new technologies cannot simply be legislated into existence.

Legislative initiatives such as renewable portfolio standards frustrate this process by needlessly diverting capital and labor away from the entrepreneurs who make the real progress in energy production — locking up that capital and labor, instead, in government-sponsored boondoggles.

Geoffrey Lawrence is a fiscal policy analyst at the Nevada Policy Research Institute.

Continued from page 13

directed at the drive market, the I-80 corridor and Bay Area, plus select West Coast fly-markets with strong air service.

To make matters worse, the RSCVA predicts a 20 percent decline in room tax for the current fiscal year from last year. Like most every business today, the authority is looking at their budget to see where to make cuts in order to withstand the next 18 months of uncertain room tax collections in Washoe County.

But even with the economic downturn, Oppenheim says there's a light at the end of the tunnel. "The destination [Northern Nevada] has the advantage of completed expansions and renovations at both the Peppermill and Atlantis hotels. The new $50 million AAA SK Baseball stadium in Downtown Reno opened in April and will be followed shortly by the new Whitewater Park in Sparks. All of this will put the destination in a more competitive position once the economy rebounds."

Adjusting To The Times

"We understand that the economy is challenging to everyone, so we're focusing on providing people with a reason to take a break from the every day issues they are facing," Tull said. "Our strategy has transitioned from a branding message to a retail-focused message during the recession. Research indicates people are not comfortable in the commitment of a traditional, extended vacation, but people still want to get away. There is tremendous value to be found in Las Vegas right now, and we're continuing to evolve and add new attractions and amenities."

Despite the odds, some are willing to gamble on tourism and gaming. The billion-dollar M Resort opened its doors on March 1st at the very south end of the Las Vegas Strip. It was designed as an economical alternative to the high-priced Strip resorts and casinos with Chairman and CEO Anthony Marnell III saying no drink will cost more than $10.

"This is the same protocol that I learned from my father at the Rio," Marnell said. "It's straight forward. It's the best product we can put out at the best price and we can give it with great service."

But Marnell is realistic. He says he does not expect to make millions right off the bat. Weeks after it opened though, room rates were still well above $200 a night, whereas the week of Steve Wynn's Encore resort opening in late December, guests paid only $150 a night for a 1,000 square foot suite.

Dr. Keith Schwer says Nevada will rebound quicker than most tourist destinations, but the state, the people and the businesses that depend on tourism may have to weather a few more economic tussles before the sun shines on the Strip and Lake Tahoe again. Las Vegas can at least take comfort in knowing there are conventions booked through 2023.

Calvert Collins is a freelance writer based in Southern Nevada.

Industrial Summary

Fourth Quarter 2008

Las Vegas

The Las Vegas Valley industrial market continued its expansion, reaching 102.4 million square feet by the close of 2008. Inventory levels grew by 1.2 million square feet as a number of projects completed construction during the quarter, resulting in an annual expansion of 5.2 million square feet. The market's expansion fell short of the 2007 new supply total of 7.2 million square feet, yet remained above historical averages.

From a demand perspective, the industrial sector absorbed nearly 1.0 million square feet. While market conditions have softened, the latest absorption figures reflect the completion of selected non-speculative developments, such as Cashman Equipment's new facility in Henderson. Completions were particularly strong in the southwest, south and Henderson portions of the Valley. Throughout 2008, the market posted 2.5 million square feet of net absorption, which was well below the prior year total of 4.0 million square feet. The current year demand total represented the lowest level since 2001, when the market reported 1.9 million square feet of absorption.

The balance between supply and demand resulted in a rising vacancy rate that reached 8.9 percent by year-end. During the preceding quarter (Q3 2008), the market reported vacancies of 8.8 percent, well above the 6.6 percent average rate reported one year ago. At the close of the year, approximately 0.5 million square feet of space was under construction, suggesting only modest expansions are likely during 2009.

Reno-Sparks

The fourth quarter of 2008 was tough economically and the commercial real estate market did not emerge unscathed. Although the industrial market has held up far better than retail, office or land, the amount of stress increased measurably in the fourth quarter as witnessed by negative net absorption and a two percentage point jump in the area's vacancy in the last quarter alone. The first half of 2009 promises to be a most challenging year. There are some brighter spots in the market, particularly from a tenant's standpoint, and the future does look brighter than it did during any time in 2008.

The wildcard is when the market will actually start to turn positive – with an optimistic outlook calling for a return to more positive numbers during the second half of 2009. The positive outlook stems from a return to a more competitive cost of living, better availability of employees, better lease rates, the continuing struggles in California and any potential impact from the various bailout and stimulus packages that have been pushed through.

The first half of 2009 will be extremely challenging across all segments of commercial real estate, including the industrial market. The wildcard is the impact the TARP and Obama stimulus packages will have on our national economy. The second half of 2009 appears to be the next opportunity to see positive impacts to vacancy, absorption and rental rates.

INDUSTRIAL - 4TH QUARTER 2008

TOTAL MARKET	Las Vegas	Reno
Total Square feet	102,421,433	71,355,490
Vacant Square Feet	9,165,771	9,483,082
Percent Vacant	8.9%	13.3%
New Construction	1,185,182	565,550
Net Absorption	961,824	-904,683
Average Lease sf/mo (nnn)	$0.77	$0.33
Under Construction	450,564	32,000
Planned	7,581,087	0
WAREHOUSE/DISTRIBUTION		
Total Square Feet	65,736,377	36,482,755
Vacant Square Feet	5,543,236	7,100,825
Percent Vacant	8.4%	19.5%
New Construction	1,033,601	545,550
Net Absorption	870,138	-812,707
Average Lease SF/MO (NNN)	$0.68	$0.23
Under Construction	95,000	32,000
Planned	5,902,915	0
INDUSTRIAL/LIGHT INDUSTIAL/MANUFACTURING		
Total Square Feet	22,776,655	34,604,108
Vacant Square Feet	1,789,111	2,351,175
Percent Vacant	7.9%	6.8%
New Construction	67,849	20,000
Net Absorption	25,105	-91,976
Average Lease SF/MO (NNN)	$0.82	$0.27
Under Construction	330,514	12,000
Planned	1,377,531	0
R&D/FLEX		
Total Square Feet	13,908,401	267,627
Vacant Square Feet	1,833,424	31,082
Percent Vacant	13.2%	11.6%
New Construction	83,732	0
Net Absorption	66,581	-7,500
Average Lease SF/MO (NNN)	$1.01	$0.79
Under Construction	25,050	0
Planned	300,641	0

Next Month: OFFICE

ABREVIATION KEY

MGFS:	Modified Gross Full-Service
SF/MO:	Square Foot Per Month
NNN:	Net Net Net

Southern Nevada Analysis and statistics compiled by Applied Analysis

Northern Nevada analysis and statistics compiled by Colliers International Reno

BUSINESS INDICATORS

The lyrics of Francis Paul Webster and the haunting melody of Maurice Jarre's soundtrack from "Doctor Zhivago" say it best. It puts you in the right frame for seeing a way forward from the current economic travail. Yes, we find ourselves in an economic winter, but we will see an economic recovery, perhaps earlier, but hopefully by spring 2010. Hope will first appear in expectations for success of new projects, and then work its way through Main Street. Perhaps some of the recent stock market gains resemble those little green shoots coming up in the snow. But in the meantime, with little good news to report, we endure the wind and bitter cold of a recession.

The Silver State indicators show that the economy continues to decline. Percentage changes from a year ago show a sustained falling off. Double-digit declines in taxable sales and gaming revenue month after month pretty much tell it all. Recent conditions in Clark County and Washoe County seem uniformly fragile, although Washoe County gaming revenue held its own for January. Visitor volume is down 12.6 percent in Clark County and 5.4 percent in Washoe County for January over year-ago levels. Convention business has also taken a hit. As a result, competition for visitors has sent room rates down sharply, straining the cash flow of many firms and testing the financial solvency of some.

Noticeable improvement in Nevada conditions will not take place until consumers return to spending for discretionary items. Auto and truck sales are 40.5 percent below year-ago levels and housing starts are 47.3 percent below year-ago levels. Moreover, job insecurity has many sharply cutting back and increasing their savings. In this environment it is hard to see a discernible movement to expansion in the Silver State until the national malaise is over.

Trying to jump start the national economy, the incoming Obama administration has sent its budget to Congress. It remains to be seen how stimulative deficits will affect economic performance. Without such deficits, however, you run the risk of further destructive deflation and with them you risk igniting destruction inflation. These policy options bring increased risks, to be sure. In the meantime, further rises in unemployment are anticipated nationally and in Nevada. We await a national recovery before we expect to see Nevada expanding again.

R. Keith Schwer

UNLV Center for Business and Economic Research

			DATA			GROWTH		
	DATE	UNITS	LATEST	PREVIOUS	YEAR AGO	RECENT	YEAR AGO	COMMENTS
Nevada								
Employment	2009M2	000 employees	1,211.3	1,211.0	1,272.4	0.0%	-4.8%	Trend Down
Unemployment Rate	2009M2	%, NSA	10.3	10.2	5.4	1.0%	90.7%	Trend Up
Taxable Sales	2009M1	$billion	3.071	3.916	3.524	-21.6%	-12.9%	Trend Down
Gaming Revenue	2009M1	$million	908.57	888.00	1,064.12	2.3%	-14.6%	Trend Down
Passengers	2009M1	passengers	3.393	3.367	4.053	0.7%	-16.3%	Trend Down
Gasoline Sales	2009M1	million gallons	89.80	92.26	89.93	-2.7%	-0.1%	Flat
Visitor Volume	2009M1	million visitors	3.551	3.478	4.032	2.1%	-11.9%	Trend Down
Clark County								
Employment	2009M2	000 employees	880.0	881.4	921.4	-0.2%	-4.5%	Trend Down
Unemployment Rate	2009M2	%, NSA	10.1	10.0	5.1	1.0%	98.0%	Trend Up
Taxable Sales	2009M1	$billion	2.318	2.904	2.670	-20.2%	-13.2%	Trend Down
Gaming Revenue	2009M1	$million	777.53	771.78	928.65	0.7%	-16.3%	Trend Down
Residential Permits	2009M2	units permitted	155	203	1,530	-23.6%	-89.9%	Trend Down
Commercial Permits	2009M2	permits	30	15	63	100.0%	-52.4%	Trend Down
Passengers	2009M1	million persons	3.090	3.068	3.645	0.7%	-15.2%	Trend Down
Gasoline Sales	2009M1	million gallons	62.98	63.62	63.64	-1.0%	-1.0%	Flat
Visitor Volume	2009M1	million visitors	3.067	2.996	3.507	2.3%	-12.6%	Trend Down
Washoe County								
Employment *	2009M2	000 employees	199.8	198.9	215.7	0.5%	-7.4%	Trend Down
Unemployment Rate *	2009M2	%, NSA	11.2	11.0	5.9	1.8%	89.8%	Trend Up
Taxable Sales	2009M1	$billion	0.392	0.567	0.473	-30.9%	-17.1%	Trend Down
Gaming Revenue	2009M1	$million	65.95	59.87	65.96	10.2%	-0.0%	Up
Residential Permits	2009M2	units permitted	40	38	85	5.3%	-52.9%	Trend Down
Commercial Permits	2009M2	permits	15	8	13	87.5%	15.4%	Up
Passengers	2009M1	million persons	0.300	0.296	0.404	1.4%	-25.7%	Trend Down
Gasoline Sales	2009M1	million gallons	14.20	14.26	13.76	-0.4%	3.2%	Flat
Visitor Volume	2009M1	million visitors	0.315	0.316	0.333	-0.3%	-5.4%	Trend Down
United States								
Employment	2009M2	million, SA	133.768	134.419	137.936	-0.5%	-3.0%	Down
Unemployment Rate	2009M2	%, SA	8.1	7.6	4.8	6.6%	68.8%	Up
Consumer Price Index	2009M2	82-84=100, NSA	212.2	211.1	211.7	0.5%	0.2%	Flat
Core CPI	2009M2	82-84=100, NSA	217.7	216.7	213.9	0.5%	1.8%	Modest
Employment Cost Index	2008Q4	89.06=100, SA	109.6	109.0	106.7	0.6%	2.7%	Flat
Productivity Index	2008Q4	92=100, SA	142.6	142.8	139.6	-0.1%	2.2%	Trend Up
Retail Sales Growth	2009M2	$billion, SA	346.810	347.191	378.106	-0.1%	-8.3%	Down
Auto and Truck Sales	2009M2	million, SA	9.10	9.54	15.29	-4.7%	-40.5%	Bad
Housing Starts	2009M2	million, SA	0.583	0.477	1.107	22.2%	-47.3%	Bad
GDP Growth	2008Q4	2000$billion, SA	11,522.1	11,712.4	11,620.7	-1.6%	-0.8%	Down
U.S. Dollar	2009M3	97.01=100	112.451	111.815	95.766	0.6%	17.4%	Some Strength
Trade Balance	2009M1	$billion, SA	-36.030	-39.900	-59.157	-9.7%	-39.1%	Down
S&P 500	2009M3	monthly close	815.94	735.09	1,322.70	11.0%	-38.3%	Ouch
Real Short-Term Rates	2009M2	%, NSA	-0.20	-0.31	1.83	-35.5%	-110.9%	Down
Treasury Yield Spread	2009M2	%, NSA	2.57	2.39	1.57	7.5%	63.7%	Seeking Safety

*Reflects the Reno-Sparks MSA which includes Washoe and Storey Counties

Sources: Nevada Department of Taxation; Nevada Department of Employment, Training, and Rehabilitation; UNR Bureau of Business and Economic Research; UNLV Center for Business and Economic Research; McCarran International Airport; Reno/Tahoe International Airport; Las Vegas Convention and Visitors Authority; Reno-Sparks Convention and Visitors Authority; U.S. Department of Commerce; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Federal Reserve Bank.

How has the social networking trend affected your business?

Dr. Darren Soong, Partner, The Gastric Band Institute, Las Vegas

We recently added a blog to our website and started posting videos of our patients' success stories on YouTube. Although these new tactics have not replaced our involvement with traditional media, it definitely has become an essential enhancement to our program.

Holly Silvestri, Principal, The Ferraro Group, Las Vegas

Our PR firm has started implementing a vast array of social media strategies for our clients. Web 2.0 has quickly emerged as a leading avenue to disseminate messages and position our clients effectively. It's a low-cost PR method that we are incorporating into many of our clients' plans.

Dave Claflin, VP, Marketing, RED Development, Reno

Social networking has been helpful to us in monitoring public perception on a daily basis and allowing us to plan our marketing tactics according to what our audience is asking for. Sites like Facebook and Twitter help us gauge our target and determine what messages are reaching them as we prepare to launch The Legends at Sparks Marina.

David McIntrye, President, Epicurean Charitable Foundation, Las Vegas

Because we are a nonprofit, social networking is a cost-effective, additional way for us to reach our target audiences. We are actively working on tapping into social networks to connect with our members, donors and most importantly, speak directly to CCSD high school students interested in hospitality careers about our scholarship program.

Anthony A. Marnell, III, Chairman and CEO, M Resort Spa Casino, Las Vegas

Social networking has enabled our guests to provide instant feedback about their experience at our resort and likewise provides us with the ability to monitor the conversation and adjust our service and amenities based on what our guests are talking about. It's also an incredible new avenue for promoting M.

Marnie Settle, President, Summit Creative, Las Vegas

Social networking has allowed me to meet and connect with new people all over the world that I never would have had an opportunity to meet before. I use Linkedin and Twitter in my business everyday. I find these to be valuable resources for me to maintain relationships and contacts.

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