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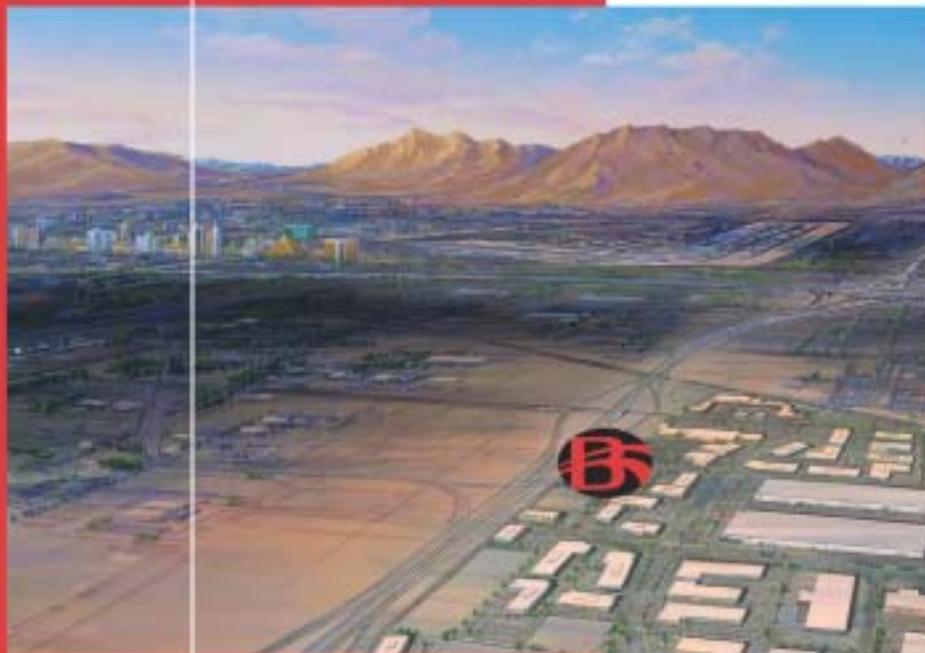
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LYLE E. BRENNAN
Publisher

Business Success Requires Accountability & Competition – What about Public Education?

The Nevada Department of Education recently reported that more than half the schools in the state (53 percent) failed to meet the “adequate yearly progress” standards of the federal No Child Left Behind Act for the 2004-2005 school year. Out of the 608 schools evaluated, only five were named “exemplary” and only 52 received a “high achieving” ranking. More than 27 percent were placed on a “Watch List” for failing to meet one or more components of the standards and another 30 percent were labeled “in need of improvement.”

ACCOUNTABILITY: THE MISSING ELEMENT

The only school in Clark County to receive the “exemplary” designation was a charter school – the middle school operated by Agassi College Preparatory Academy. The Academy opened four years ago to serve mainly inner-city students. It has some advantages not enjoyed by other middle schools: small size (only 150 students, versus 1,000 or more in some middle schools); small class sizes; an eight-hour day versus a six-hour day; and more money per pupil, thanks to grants and donations.

But how’s this for an advantage? Agassi teachers work on one-year contracts, and last year the board renewed the contracts of only six of its 18 teachers. In other words, teachers are judged on the results they produce. What a concept! In the union-controlled Clark County School District, teachers are considered “permanent employees” and are guaranteed a position for life, unless they really screw up. Even if they are fired for cause, they can appeal through the teachers’ union.

At Agassi, students sign contracts promising good behavior and parents must promise to involve themselves in their children’s education. If students misbehave or parents refuse to take needed action, the students can be expelled. In other words, Agassi demands accountability – from teachers, from students and from parents.

THE VALUE OF COMPETITION

Mark Harrison, an economic consultant from Australia, wrote in a recent syndicated column: “The key to improving the education system is to move away from a politicized, government-operated system to a decentralized, competitive market. Schools that compete and are directly accountable to parents simply work better than the bureaucratic alternative.” He points out that the current system is the U.S. does not reward efficiency or productivity and may actually reward inefficiency. “Poor performance often leads to additional resources,” he says, as government throws money at a struggling school to try to fix its problems.

His solution, and one shared by many U.S. citizens, is to let the free market operate through the use of school vouchers, giving parents the option of where to place their children for school. This will encourage all schools, both public and private, to become better and therefore improve education and test scores across the board.

THE SEARCH FOR A SUPERSTAR

This summer, University Chancellor Jim Rogers sent \$55,000 in checks from wealthy donors to the Clark County Public Education Foundation as a down pay-

ment on a fund to pay for a national search for a new CCSD superintendent. Rogers has said he also wants to raise funds to help subsidize the next superintendent’s salary, upping it to between \$400,000 and \$600,000 a year.

If we hire an entrepreneurial “superstar” administrator who will be willing to fire people, decentralize the bloated district and cut waste, he or she could be worth 10 times that salary.

Although I compliment Jim Rogers for thinking out of the box, I fear the problem is not the leader of the system – it’s the system itself. Without accountability or competition, there’s no incentive for public schools to improve, and we can’t expect the next report card for Nevada’s educational system to show many A’s and B’s.

Folks, it is up to us change the system. We can continue to do nothing and allow the public school system and the resulting effects on our culture and society to slip into the abyss or we can make our voices heard. Contact your local school board members and your state legislators and tell them you expect accountability and competition in the public school system; and that you are going to personally hold them responsible for their actions... then do it!

Clark County Public School Board Contact Info: <http://ccsd.net/directory/trustees/board/index.phtml>

Washoe County Public School Board Contact Info: <http://www.washoe.k12.nv.us/district/board/meet/>

Nevada State Legislators Contact info: <http://leg.state.nv.us/> 

COMMENTS? email: lyle@nbj.com



Features

The leaders in Nevada's university system prepare to meet the challenges of growth as the new school year begins. Shown on our cover are: standing (left to right) Dr. Richard Carpenter, CCSN; James Rogers, Chancellor; seated: Dr. John Lilley, UNR; and Dr. Carol Harter, UNLV.

Photo: Opulence Studios

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Higher Education Outlook

What's Next for Nevada's Colleges?



BY TINA ALLEN

In Nevada, unprecedented growth has kept just about every entity, from the housing market to government agencies, hustling to keep up with demand. Higher education is no different, leaving the state's public institutions searching for ways to accommodate more and more college students each year.

In the past 12 years, Nevada's public higher education system has gone from 35,000 students to 105,000, and Chancellor James Rogers said he doesn't see it slowing down anytime soon. "I think that in the next year, you are going to see the whole system ratchet itself up," Rogers said. "The growth line is going to slope upward, and then all at once it's going to go straight up."

To pay for the increased services needed, the state allocated \$250 million in the past legislative session to help fund construction for more buildings and classrooms, in addition to nearly \$1 billion for operating costs. "They gave us two to two-and-a-half times what we would usually get," Rogers said.

However, he said it will still take private dollars to give the schools an edge on the competition. "Fortunately, Las Vegas is literally awash with private wealth," Rogers said. "You get \$100,000 here and \$100,000 there, and pretty soon you've made a hell of a difference in a lot of programs."

In addition to Rogers, the *Nevada Business Journal* recently talked with the college and university presidents in the university and community college system,

who offered some insight about their schools and how they are keeping pace with such rapid growth.

UNIVERSITY OF NEVADA, LAS VEGAS

In the past 10 years, the University of Nevada, Las Vegas has added 103 academic programs. The latest program is a Ph.D. in nursing, which was recently approved and funded by the Legislature. However, its mission isn't to create more nurses to fill a severe shortage in the state, but rather to create more faculty members who can train more nurses to fill the shortage.

"We are never short on ideas for new programs," said UNLV president Carol Harter. Nor is the university short on its list of long-term improvements. Among them is a facelift of sorts for the outside of the campus that would revitalize the area on both sides of Maryland Parkway. The project, called Midtown, is a joint effort with developer Mike Saltman, who owns the Promenade shopping center on Maryland Parkway across the street from UNLV.

"We want to narrow Maryland Parkway to two lanes to make it a much safer place to walk back and forth, expand the sidewalks, have sidewalk cafés, a couple of performance areas, interesting shops and a whole group of things that will attract people to the university," Harter said.

Another item in the works is a proposed 640-acre campus – nearly twice the size of the existing campus – which would be located north of the Las Vegas Beltway, between Pecos Road and Lamb Boulevard.

In July, Harter said they were negotiating with the Bureau of Land Management to acquire the land. Although it's still in the preliminary phases, Harter said the campus would be a joint venture with the Community College of Southern Nevada and Nevada State College to create an innovative teaching center, offering a range of associate, bachelor and graduate degree programs.

Harter is also working toward raising the admission criteria for incoming freshmen. The reason, she said, is not to keep students out of the university, but rather to slow down growth. Enrollment is expected to surpass the 29,000 mark for the 2005-2006 academic year. "Our growth in the last four years is just under 5,000 full-time equivalent students, which is the size of more than half the campuses in the United States," Harter said.

The current standards allow admission to students with a 2.5 grade point average. "We are already going to a 2.75 GPA in the fall of 2006 and we are scheduled to go to 3.0 in the fall of 2010," Harter said, "but we may accelerate the pace of getting to that point."

Generating funding is another top priority for Harter. This month, she is scheduled to announce the goal of UNLV's first major capital campaign. "The state provides very good, basic funding for the core courses, and we are very grateful, but it cannot provide the dollars to get a law school ranked in the top 50 percent of all law schools or a hotel college ranked as number one or two in the country," Harter said.



Fred Maryanski

NEVADA STATE COLLEGE

The fact that Nevada State College’s current campus is a converted vitamin warehouse hasn’t inhibited enrollment in the state’s newest college. The projected full-time equivalent enrollment for last spring was 500 students, but at registration time, that figure nearly doubled to 940 full-time students seeking bachelor degrees ranging from elementary education to law enforcement.

Nonetheless, President Fred Maryanski is looking forward to filling in a vacant 550-acre site in Henderson with a permanent campus that integrates the surrounding community. Meetings were held this summer to develop a master plan.

Rogers said he anticipates the college will continue to expand in new areas once the main campus is built. “In the next 10 to 15 years you may have five or six campuses of the Nevada State College throughout the state,” he said. “I can see three branches of the Nevada State College in Southern Nevada, one certainly in Reno and maybe one in the eastern part of the state.”

Maryanski said he would like to see the new campus include facilities that provide students with opportunities for internships and real-life experiences, while benefiting the community, including a medical clinic for its nursing students.

“We are talking with the [Clark County] school district about potentially having a public school, like a middle school, here in the future,” Maryanski said. “We are talking with the city about having a joint library. It would be a branch of the Henderson public library and also the college library.”

The college has graduated 100 students since it opened in 2002. Its largest pro-

grams are in nursing and education. “Clearly there is an enormous demand for students in those areas,” Maryanski said. “We are doing our best to turn them out.”

The college is also establishing two-plus-two programs with Western Nevada Community College and Truckee Meadows Community College, in which students take their first two years of courses at the community college and the remaining two at Nevada State College. It implemented these types of programs early on with the Community College of Southern Nevada.

“Our vision is to develop a college that really is responsive to the needs of the business and civic sectors of the economy,” Maryanski said. “We need to educate professionals and really become players in the state’s economic development.”

COMMUNITY COLLEGE OF SOUTHERN NEVADA

The Community College of Southern Nevada (CCSN) has had its share of challenges in recent years. Perhaps its most difficult task was overcoming a rapid

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turnover of administrative leadership in the last decade. "I'm the seventh president in 10 years," said Richard Carpenter, who was hired in August 2004.

One of his goals is to establish stability in what is the nation's fourth largest community college. Already, Carpenter and his team have managed to trim \$1 million per year off administrative overhead costs. "We are putting every bit of that back in the classroom and student services to increase student success," Carpenter said.

Another difficulty has been keeping up with growth. The college's student population has soared to an unprecedented 35,000 students, a figure that could reach 50,000 soon, according to Chancellor Rogers.

Carpenter estimates CCSN turns away about 3,000 students every semester due to lack of space. A \$25 million general purpose classroom building planned for the Charleston campus should offer some relief. CCSN is also preparing to construct a new \$22 million automotive technology center on its Cheyenne campus. The automotive program is the largest of its kind in the world, and currently enrolls 800 students, with another 400 turned away each

semester. Both projects are being funded with money appropriated from this year's legislative session and private donations.

Carpenter is also aggressively trying to decrease CCSN's dropout rate, particularly among minority students. Half of all Nevada's minority students enrolled in higher education attend CCSN. "Not enough of them are succeeding," he said. "We have 26 counselors at the college. Academic advising is done exclusively by counselors. You have 26 counselors and 35,000 students. How much advising do you think students are getting?"

Part of the strategy is to put a formal student retention plan into place that will include early warning signals for students who may be on the verge of dropping out. By January, the college also plans to recruit additional staff solely dedicated to academic advising.

"We grew very quickly, and while we were growing very quickly we were turning over leadership, so our policies and procedures just didn't keep pace with our growth," Carpenter said.

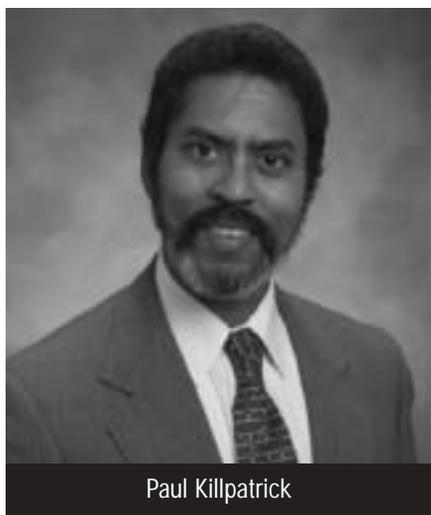


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GREAT BASIN COLLEGE

Great Basin College has come a long way since it first started holding classes in Elko residents' garages and dining rooms in the 1950s. After several unsuccessful attempts to prove to the state that a college was needed in the small, rural community, Howard Hughes came to the rescue and wrote a check for \$250,000 to jump-start Nevada's first community college. It opened in 1957.

Ever since, Great Basin has been a pioneer of sorts. It was the first two-year col-

lege in the state to offer bachelor degrees - five in all. In the fall of 1999, it began its elementary education program. Danny Gonzales, deputy to the president, said it was a call to train and retain its residents, since 93 percent of the teachers in rural areas at the time came from out-of-state programs.

In 2001, Great Basin started a bachelor of applied science program, which targets miners in the area who want to pursue supervisory roles. Mining is Elko's primary source of revenue. In 2002 it added a liberal arts degree. This academic year, the college opened with bachelor programs in nursing and secondary education.

President Paul Killpatrick said it's important to pursue economic diversity in Elko, so it is not completely dependent on mining. He said community support is strong. In the past 20 years, the Great Basin College Foundation has raised about \$20 million. "That puts us in the top 5 percent of any two-year college in the country, based on the length of time our foundation has existed and the size of the college," Killpatrick said.

Next year, the college is expected to break ground on a \$14 million electrical technical building, which will be used for programs in industrial plant mechanics, electrical technology and instrumentation. In addition, it will house the school's academic success center.

UNIVERSITY OF NEVADA, RENO

Growth may not be happening as quickly at the University of Nevada, Reno (UNR) as it is at the Southern Nevada schools. However, President John Lilley said the university is looking ahead with a master plan that will eventually take the campus from 275 acres to nearly 700 acres.

"It's a long look at what we need to do to get ready in 20, 30, 40 years out when we expect to be at 30,000 students," Lilley said. The student population is now at 16,000. The university is currently buying surrounding properties as they become available. Excavation began in July for a new student union and a library. The 165,000-square-foot student union is expected to be completed by 2007. The library, named the Mathewson-IGT Knowledge Center, will feature state-of-the-art digital access to about 20,000 scholarly journals, as well as digital workrooms for students to prepare presentations, a Basque

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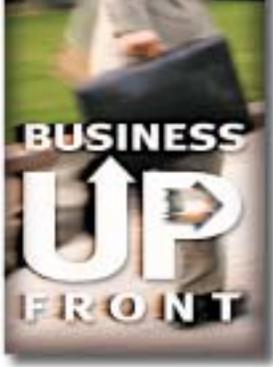
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HOW LITTLE GUYS FIGHT BACK

Small retail owners say stocking unique items, providing personalized customer service and pricing competitively help them compete against big-box retailers such as Wal-Mart, Target, K-Mart and others, according to survey results released by DollarDays International, an Internet-based wholesaler to small businesses and local distributors. According to survey results, 99 percent of the small businesses have big-box retailers located near their stores. About 72 percent opened their stores after the chain stores arrived in town, while 26 percent were already in business. Of those already in business, 52 percent say they implemented new strategies to compete, including cutting prices (25 percent), increasing inventory (23 percent) and increasing marketing and advertising (22 percent). The survey shows that implementing these strategies resulted in 42 percent of the small retailers maintaining their market share, while 35 percent reported an increase in business and less than 1 percent said business decreased.

"Small retailers need to understand when a big-box retailer opens in their community, it's not a death sentence, and this survey underscores that," said Marc Joseph, president of DollarDays and author of *The Secrets of Retailing Or How to Beat Wal-Mart*. Joseph said many retailers who have been driven out by big-box stores were capitalizing on their local monopoly by selling ordinary merchandise at inflated prices. When Wal-Mart came in, these small retailers were undersold.

WE ALL PAY FOR HEALTHCARE FOR UNINSURED



Premiums for employer-provided family health insurance will cost, on average, an extra \$922 in 2005 to cover the unpaid expenses of healthcare for the uninsured, according to a recent report issued by Families USA, a health consumer organization. These added costs account for \$1 out of every \$12 spent for employer-provided health insurance. By 2010, the figure is estimated to exceed \$1,502 per family. "The large and increasing number of uninsured Americans is no longer simply an altruistic concern on behalf of those without health coverage, but a matter of self-interest for everyone," said Ron Pollack, executive director of Families USA. "The stakes are high both for businesses and for workers who do have health insurance, because they bear the brunt of costs for the uninsured."

The Families USA report found that only 35 percent of healthcare costs incurred by uninsured people are paid by the uninsured themselves. The remaining costs are generally considered "uncompensated care." Of uncompensated-care costs, a portion is picked up by federal, state and local government sources. The remaining costs are shifted and added on to the insurance premiums for people who have health coverage. These uncompensated costs will exceed \$43 billion nationally in 2005.

WOMEN BUSINESS OWNERS ARE RISK TAKERS



Many women business owners – now numbering 10.6 million nationwide – are willing to take substantial financial risks to ensure the success of their businesses, says a new study from the Center for Women's Business Research underwritten by Wells Fargo. The report, titled "Women Entrepreneurs Savvy About Risk," also says women business owners are much more willing to take risks in running their businesses than in their personal finances.

The more than 400 women business owners surveyed were asked to determine whether they would take substantial or above-average risks in regards to their business. Almost one of every four surveyed (21 percent) said they were willing to take substantial financial risks expecting substantial returns when saving or investing for their business, while

45 percent were willing to take above-average financial risks expecting above-average returns.

"This report shows that, contrary to common belief, women business owners are indeed willing to take financial risks in order to expand their businesses," said Marjorie Alfus, chair of the Center for Women's Business Research. "In fact, two-thirds of the women in this study were willing to take above-average or substantial risks to achieve their growth goals. The success of their risk-taking is documented in the dynamic growth rates – employment by women-owned businesses expanding at twice the rate of all businesses (24 percent vs. 12 percent) and revenues growing 17 percent faster than all businesses."

Risk-taking was consistent among all types of women-owned businesses in the study, regardless of company size, age of business, or personal characteristics of the business owner (age, education, ethnicity, etc.).





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What do you like best about your job?

The creativity required in the development business and the autonomy of being the project manager are the largest benefits. There is an endless amount to learn, many bridges to build and doors to unlock. The challenge of creating something that will improve the area allows each day to be one of discovery and growth.

How do you spend your time when you're not working?

I enjoy traveling, spending quality time with friends and family and participating in recreational activities, including beach volleyball and alpine ski racing. I am an ac-

credited professional alpine race coach with the United States Ski Association and Canadian Ski Coaches Association. I enjoy coaching junior athletes.

Favorite Business Book

Capitalist Fools: Tales of American Business, From Carnegie to Forbes to the Milken Gang, by Nicholas Von Hoffman.

Best Business Advice:

Listen, listen and then listen some more, especially before you speak. One must also be humble and able to take criticism in order to learn.

With land prices rising in Northern Nevada, where will new commercial development take place?

The Reno Tahoe Industrial Park in Storey County is going so successfully that many developers are looking to expand into that market. Northeast Sparks, Stead and North Reno are markets that are experiencing an increase in development because prices are affordable and land is available. In addition to raw land, there are opportunities for redevelopment of underutilized properties in infill locations.

Sylvia Samano

President
SBC Nevada
Reno

Years in Nevada: 3

Years with Firm: 27

Type of business

Full-service telecommunications company

Biggest business challenge

SBC has evolved from a basic telephone provider into a full-service communications company offering state-of-the-art technology and services for its customers. I want to make sure current and future customers understand the comprehensive suite of products and services the company offers, and the tremendous expertise of the SBC team.



What do you like best about your job?

I've worked for SBC for nearly 30 years and I love every aspect of my job. Working in Nevada has been one of the highlights of my career. The community welcomed me when I arrived, and that friendliness, along with beautiful scenery, has made Nevada a wonderful place to live and work.

How do you spend your time when you're not working?

I travel to visit my family or spend quality time with my husband. We love the

Lake Tahoe area. During the week, I work out as often as I can and try to find some quiet time to read a good book.

Favorite Business Book

I just finished *Personal History*, the autobiography of Katharine Graham.

Best Business Advice:

Work at something you enjoy and know that change is inevitable, so be flexible.

SBC has provided phone service for many years, but what new products and services is it offering now?

Long distance, Wi-Fi communications and DSL are some of the leading products SBC offers. The company has launched a number of Wi-Fi hotspots around the state in coffee shops, restaurants, hotels and recently at the Reno-Tahoe International Airport. We are always adding new technologies to our services and we now make available television, Internet and wireless bundles of services over advanced broadband IP networks.

The Franchising Solution In Business for Yourself, but Not by Yourself

by Ruth Furman



Northern Nevada business owner Maurice Dussaqa purchased a franchise because he could not find a business for sale that he had an interest in, and he did not want to start one from scratch. "Franchising seemed like a viable option, and I knew I wanted a business-to-business franchise that was profitable," said the owner of two FASTSIGNS franchises, one in Carson City and one in Reno.

When Dussaqa signed on with FASTSIGNS, the high-tech sign and graphic business was new at the time and intrigued him. "It's nice to be able to say, after 15 years, that I don't regret my deci-

sion," he stated. However, he warned the entrepreneurial in spirit, "They offer you a system that works and if you're not going to use it, do something else."

Traci Roberts launched a Dream Diners franchise in Las Vegas with her husband and sister-in-law in 2004. "We originally found out about Dream Dinners from family in Washington state. The three of us began talking with the founders of Dream Dinners and expressed our excitement and passion about bringing this to Las Vegas. Since Dream Dinners was in its infancy stage, we really had to rely on our gut feeling. We believed in

the mission of the company, the women who started it and those who knew them."

Dussaqa and Roberts are two of many Nevada business owners who have embraced the concept of franchising. In fact, Nevada is a top state for franchises, which have significantly impacted economic development here. One growing franchise, Port of Subs, is based in Reno. Nevada is the leading state in the country as far as jobs and economic output created through franchised businesses.

Tami Lord, vice president, sales and leasing for Territory Incorporated, agreed that Nevada is a good market for entrepre-

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Freeway interchange		

Location:
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neurs and new franchisees. "A state where the pull of the slot machine can change your future encourages the entrepreneurial spirit," Lord said. "Many have moved to Nevada for a new start, a new future and a chance to own a piece of the American dream. Franchises give them the structure and market recognition to start a new business without all the guesswork." Her company, based in Las Vegas, leases space in retail centers to franchise businesses of all kinds, both large and small.

Donna Curry lived in a town of 50,000 people before moving to Las Vegas in 1979. Her hometown had three thriving Subway restaurants. "I thought, if this small town can do well with three, what would the Las Vegas market be able to handle?" Curry purchased her first Subway franchise and attended Subway training in 1983. She is known as a pioneer of the Subway franchise system; the store number of her first location was 283, and there are now over 23,000 locations worldwide. "Individuals are turning to the franchise industry because it has a proven track record," said Curry, who is now the

Subway Development Agent for Southern Nevada. "This organization allows us to have a lower food cost than an individual owner could achieve. Advertising funding is another example of the positive aspect of franchising."

Greg Roquet is an advisor with the Small Business Administration's Service Corps of Retired Executives (SCORE) and also president of The Franchise Network (FranNet) of Northern California and Nevada, which helps individuals match their goals with selected national franchise companies. He cited a study by PriceWaterhouseCoopers about the economic impact of franchising. Franchising provides \$1.53 trillion in economic output in the United States, representing 9.7 percent of the U.S. economy. Franchising also provides 14 percent of the jobs in the private sector workforce. Roquet stated, "A new franchise business opens some place in the United States every eight minutes." The PriceWaterhouseCoopers research showed that jobs filled because of franchises represent 20 percent of Nevada's private-sector workforce.

Roquet said franchisees have been referred to as the "halfway house" of entrepreneurship, since they provide the opportunity to "work for yourself but not by yourself." The franchisees pay the franchisor a monthly royalty fee. Roquet said the amount of the fee is usually determined as a percentage of sales and covers the use of the franchisor's name and trademarks, the right to use its business model, and access to products and ongoing support. "The franchisor is your business partner, providing you with 'back end' support, which then allows you time to run the 'front end' of your business. A good franchise concept creates a win-win scenario for all," he said. "You don't want to judge a franchise based on the size of the royalty – you want to judge it by what it can provide to you after the royalty is paid."

Erwin J. Keup, author of *Franchise Bible: How to Buy a Franchise or Franchise Your Own Business*, suggests referring to *The Ultimate Book of Franchises* to help select a franchise. The book contains more than 1,000 franchise listings. "You're really buying a job when you buy

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a franchise," Keup said. "So before you start calling the franchises, you should find one that fits your abilities. Get the offering circular and have qualified people advise you." The offering circular contains a certified audit, which should be less than 10 months old and should include information about lawsuits that have been filed against the company.

Keup suggested potential franchisees have a professional walk them through franchise fees and how to evaluate them, royalties and why they should pay them, what to expect in terms of training and ongoing support, advertising, site selection and franchisee relations.

Mike Micone opened a Reno office of Accountants Inc. in 1996 and a Las Vegas office in 1998. Micone researched more than 20 franchises before settling upon Accountants Inc, a staffing service for financial professionals. "After three months, I knew this was the perfect match, so I evaluated the start-up costs and sold my house, car and boat to start a new life." Micone said the positives of owning a franchise include proven processes that the corporation has already taken the time to work through, along with financing, marketing items, the accounting-specific database and software systems. "The IT support was a tremendous advantage," he added. "I don't have to manage these areas, which can take time away from developing the business. The most important part of determining which franchise to buy is how much ongoing support the company will provide and what it will cost."

Ken Hollowell, president of California-based National Franchise Services, Inc., encouraged buyers to insist on receiving the UFOC (uniform franchise offering circular) at the first face-to-face meeting or 10 business days before the buyer is required to provide any funds or sign any agreement. "The actual franchise agreement is part of that document," he said. "If the buyer cannot agree to the terms and conditions of the franchise agreement, the buyer would be wasting his or her time investigating the franchise."

The best way to investigate whether a company is reputable, Keup suggested, is to contact several franchisees. "See if you can get ahold of them in person. If they're not happy, you'll find out, even just over the phone. But in person is better."

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Michael Solomon owns 11 Great American Cookies franchises, including three in Southern Nevada. He likened interviewing existing franchises to calling references on a job application. "Call as many as you can – and not just those the company suggests." Solomon recommends that franchisees carefully check into precisely which services the franchise offers. "Do they have their own administrative system? Will they handle your small business accounting? Will they negotiate with landlords to help you find new locations? Will they help develop new products?" Solomon warned that a lot of people fall in love with the idea of owning their own business. "While working for yourself can be very rewarding, it's also a lot of work. You can't romanticize what you are getting into." Solomon recalls having to work over many holidays and working when his employees didn't show up.

Luther Mack, who owns nine McDonalds restaurants in the Reno-Sparks area and one in Fernley, has been involved with McDonalds since 1968. Mack said the positives of running a franchise revolve

"When you pick a franchise to investigate, the product or service is the last thing you should consider."

around support. "McDonalds helps you find the best insurance, the best legal support, the best accountants. They are also a big help with marketing, training, public relations and political action," he said. He suggested franchisees think twice before hiring family members. "Always look to hire on the outside before hiring family members, and make sure you have discipline and procedures in place."

Mack is also on the community board for Wells Fargo, and he sees many fran-

chisees and entrepreneurs fail due to under-capitalizing. "Make sure you know your business inside and out and that you are hands-on until you get your business running the way you want it. Double-check your bank deposits and have cash controls in your business. Plan for the busy times and the slow times so you have enough cash for the slow seasons."

Mack also suggested prospective franchisees take a close look at franchise fees. "All that glitters is not gold. Unlike independent businesses, with franchises, extra expenses can be incurred," he warned.

When financing a franchise, franchisees should look for a lender who has experience in their industry, said Diane Cooper, president and CEO, GE Franchise Finance (GEFF). "We work with customers such as Claim Jumper to tailor their restaurant financing and provide innovative solutions that help maintain the long-term viability of their business," Cooper said. "Claim Jumper was able to amortize its debt during a longer timeframe, realizing cash flow savings. That additional cash flow will help fuel the company's long-term



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growth.” Scottsdale, Ariz.- based GEF works with franchisees and franchisors in Nevada and across the United States.

Steve Synnott, president of the Denver-based wholesale group PRO Group, Inc., said positives of franchises include name recognition and branding, expertise in marketing, promotions, operational efficiencies, customer service support and training. Negatives include forfeiture of independence, fees and service charges and reporting requirements.

Territory Incorporated’s Lord said competition between various franchises is particularly interesting in Las Vegas, due in part to increasing land costs. “Users like Subway, Port of Subs and Quiznos, or PostNet and the UPS Store are not only competing for the exact same space, but often are offering more than the asking rate, or accepting terms as proposed by the landlord just to secure the location before their competition does,” she reported. Lord sees Nevada as a hot area for franchises. When asked if franchises are displacing independents, Lord said it depends on the type of business. “For sandwich shops, mailbox stores and cof-

fee shops, franchised branding seems to be preferred over independence,” she said. “However, for other uses such as dry cleaners, nail salons, beauty salons and pizza shops, both are equally competitive in the market. In many instances, the independent can move more quickly and efficiently than the franchise operators.”

George Knauf, a franchise consultant with Washington, D.C.-based FranChoice, encourages prospective franchisees to do their homework. “When you pick a franchise to investigate, the product or service is the last thing you should consider,” Knauf said. “All too often, we see cases such as computer programmers buying Web design franchises and failing because they were not willing to do what a successful owner in that business has to do – namely sell the services of the business.” Knauf warned prospective franchisees not to select franchises to investigate purely because they like the product or service. He joked, “If you want to eat ice cream and drink coffee, you can save thousands upon thousands of dollars by doing that on your own and not being a business owner at all.”

SELECTED FRANCHISING RESOURCES

Franchise Bible: How to Buy a Franchise or Franchise Your Own Business,
by Erwin J. Keup

FranNet • The Franchise Connection,
www.frannet.com

SCORE • www.score.org

The Ultimate Book of Franchises,
by Rieva Lesonsky

Franchise Times • www.franchise.org

Federal Trade Commission's "Consumer Guide to Buying A Franchise" (available through International Franchise Association)

National Franchise Services, Inc.,
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FranChoice • www.franchoice.com

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COMMERCIAL REAL ESTATE BROKERS
Chasing Deals in a Volatile Market

by Kathleen Foley

Commercial real estate agents from the Las Vegas and Reno areas gathered at The Stirling Club recently to discuss the real estate market in Nevada and how it is affecting their profession. The gathering was part of *Nevada Business Journal's* Industry Outlook series. Connie Brennan, publisher of *Nevada Business Journal*, served as moderator for the roundtable, which included topics such as: rising costs and shrinking availability of land; prospects for the office, industrial and retail markets; and the recent trend towards high-rise condo construction. Following is a condensed version of the discussion, which began with introductions.

Chuck Witters: I'm an office broker with Lee & Associates in Las Vegas. I've been here for 12 years. I received preliminary second-quarter office data numbers today [for Southern Nevada], and they greatly encouraged me. First of all, we have a little over 900,000 square feet of net absorption year-to-date. Last year, we ended up about 1.6 million for the whole year. So if we could continue on this trend, absorp-

tion would be tremendous this year compared to previous years. Another thing was that the weighted average lease rate on vacant space went from \$1.95 at the end of the first quarter up to \$1.99 at the end of the second quarter on a full-service-gross basis. That shows a firming up of lease rates.

Tami Lord: Territory Incorporated primarily does big-box development and retail brokerage. From a retail standpoint, Las Vegas has always been relatively low on vacancies. But the issue we're running into now is, between rising land prices and rising construction costs, can national retailers sustain the risk? The developer needs to make the transaction happen, so that's probably our biggest obstacle today and moving forward.

Suzette LaGrange: I'm the vice-president of Colliers International's industrial division. Certainly land prices are the biggest challenge for us, but in industrial real estate, we need to get the rents up if we're going to keep up with the rising land prices and construction costs. Another issue is that there are so many delays in the construction permitting process.

FRONT ROW (LEFT TO RIGHT):

Daniel Byron	Sperry Van Ness, Las Vegas
Judi Woodyard	Commercial Associates, Las Vegas
Chuck Witters	Lee & Associates, Las Vegas
Lucinda Stanley	Shea Commercial, Las Vegas
Suzette LaGrange	Colliers International, Las Vegas
Ron McMenemy	NAI Horizon, Las Vegas
Tami Lord	Territory Inc., Las Vegas
Donna Alderson	CB Richard Ellis, Las Vegas

SECOND ROW:

Randy Broadhead	CB Richard Ellis, Las Vegas
Ken Stark	Stark & Associates, Reno
Soozi Jones Walker	Commercial Executives, Las Vegas
Paul Perkins	Alliance Commercial R. E. Brokerage, Reno
Dean Willmore	Industrial Property Group, Inc., Las Vegas

THIRD ROW:

Pat Marsh	Colliers International, Las Vegas
Perry Muscelli	Cushman & Wakefield, Las Vegas
Barry Brown	Colliers International, Reno
Ron Cobb	CB Richard Ellis, Reno



Photo: Opulence Studios, Inc.



Donna Alderson: I've been with CB Richard Ellis for 19 years, and I agree with what Suzette said regarding rents. Industrial big-box rents have been relatively flat for a number of years, and the rising cost of land and the availability of land are big issues for us. Residential developers can pay more for land than industrial developers, so a lot of rezoning is taking place, and that is a big sore spot.

Daniel Byron: At Sperry Van Ness, my partner and I specialize in apartments and anything commercial. I can honestly say that right now we don't have one listing in

the office. Everything comes in and goes out the door the same day. For land in Southern Nevada, the prices have doubled and tripled and quadrupled, and there's a waiting list for it. I think we have another three to five good years ahead of us. But we have to keep in mind that if there's another major terrorist attack, it could cause a recession that would change our cash flow and our needs and demands.

Perry Muscelli: I'm with Cushman & Wakefield and have been in Las Vegas on and off for 49 years. The biggest challenge for the brokerage community is to

change the way they do business, because it's not the Las Vegas we've known for many years. We're basically out of land, so those of us who have been working with developers who used to have their pick of land are not going to be making money that way anymore. The other risk is that we're in a very speculative market because of some of the things that have happened in the last year.

Randy Broadhead: I have been with CB Richard Ellis for 22 years, specializing in the office market, which is very healthy, with vacancy rates down around 10.5 percent. However, land prices are now so high that they are a barrier of entry to office developers. Another big impact on our market right now is tenant improvement costs. There's also the demand for ownership. With interest rates being low, that has really eaten into the lease market.

Ron Cobb: I run the land services group in Northern Nevada for CB Richard Ellis. I like to tell everybody from Las Vegas there is no more land left in Northern Nevada, but there actually is. We are still in pretty good shape and are experiencing some great growth. I am also the city chairman of the Planning Commission.



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Barry Brown: I'm the managing partner for Colliers International in Reno. This is my 33rd year in commercial real estate, and 29 of those years were in senior sales all over the country. As Ron said, the market's still very healthy, but we are running into some of the obstacles Randy mentioned. Tenant improvement prices have caused some deals to fall through. Of course, our real concern is that business is moving out of town. The office market is moving to south Reno and industrial is going north and east. Of course, retail has been the dominant thing, following the construction upswing in residential.

Lucinda Stanley: Shea Commercial is going to construct about 750,000 square feet of office projects this year. Our biggest challenge is getting qualified help. Many of the problems people are talking about today are caused by a lack of affordable housing. People cannot afford to live in Southern Nevada, so it's very difficult for us to pull people in from other marketplaces to provide the labor we're definitely lacking. That includes our own employees, subcontractors and also people to staff the planning and building departments at government offices.



Soozi Jones Walker: I'm the broker at Commercial Executives, specializing in office investment sales. We look at the vacancy factors and they all look really healthy, but there's a lot of space that goes under the radar screen. Most of the large brokerage firms keep track of numbers for office spaces of 5,000 to 10,000 square feet or larger, but Shea and many other developers like them are bringing on hundreds of thousands of square feet that are not owner-occupied spaces. In many cases, people plan on occupying only 50 percent of their building and leasing out

the rest. Permitting delays are also a problem. If someone doesn't get on track and find some additional employees to help process all of these things, our city will be hurt and people might start going to a different market.

Pat Marsh: I specialize in industrial at Colliers International. To go back to what Soozie said about office tenants moving to other markets, I think other markets are seeing the same high prices of land and rents going up, so I'm not sure we're going to lose. We just need to be more creative. Our job is just going to change.

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— Demosthenes

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We're losing industrial land to home-builders, as Donna said, and to high-rise developers. But there are locations in Sloan or at Apex Industrial Park, where there are 10,000 acres of industrial land, which are going to be viable options soon. We'll have to start exploring those options.

Paul Perkins: Alliance Commercial Real Estate is a new company in Reno, but I've been in the business 36 years. In Reno, after years and years of work, all the efforts to revitalize downtown are finally beginning to come to fruition. We're seeing high- and mid-rise condominium developments along the river and the train trench corridor is well along – it will be completed next spring. There's a vibrancy and an enthusiasm downtown we've never seen. On the negative side, we have water problems, which recur every few years, and I think this time it may actually result in the completion of an aqueduct from valleys north of Reno. The resources from the Truckee River and Lake Tahoe just aren't sufficient to handle the growth we're seeing.

Judi Woodyard: I'm the owner and broker for Commercial Associates, and we specialize only in the tenant and user side of the business. So we don't have some of the development obstacles you others have.

Dean Willmore: I'm with IPG Commercial Real Estate Services, and I have never seen the market this busy. We have all been seeing cap rates getting close to 6 percent. We went back and tried to study cap rates 20 years back, and these are the lowest rates we've ever seen. Small industrial buildings are priced at \$145 to \$150 a square foot. That's within 10 or 15 fifteen percent of the prices for shell office buildings, which are priced at \$165 to \$200. Usually office buildings are twice as much as industrial, but no more.

Witters: They probably should be, right?

Willmore: Yes. As far as Las Vegas losing tenants to other markets because of rental rates, my opinion is that Las Vegas industrial rental rates have always been higher than Phoenix, Salt Lake and Reno. They have been comparable to Ontario, Calif. They're usually a little lower than Irvine. The businesses that have come into Las Vegas have moved here because they have to be in Las Vegas, and I think that will continue.

Ron McMenemy: I own NAI Horizon in Las Vegas. Building permits and construc-

tion costs can be a gun to our heads in a lot of different scenarios. You think you have a deal and it changes. We're also going to face a lot of transportation challenges, which will get worse as we pack in more mixed-use development projects that empty onto a street that has been there for 20 or 30 years. But I think that, given the talent that's in this room, we've been very good at adapting to change, and the velocity of Las Vegas has been unparalleled in the United States. I'm very confident about what the future holds because we've been through it before and we'll get through it again.

Ken Stark: I am owner and broker for Stark Associates Commercial Real Estate in Reno. My experience and expertise has been in the office market. Our vacancy is up, at just under 16 percent, but this year pretty significant transactions are going to drive vacancy down. Skyrocketing housing costs are an issue in Northern Nevada. However, a report came out recently that said home prices for the under-\$300,000 market have finally cooled off and are going down.

Perkins: Reno is on track for a record year of net absorption in the industrial market, which isn't great by Las Vegas standards, but we'll probably do over 3 million feet of net absorption this year. One of the problems we face on the industrial side is that we're down to less than a 6.5 percent vacancy rate in the second quarter, and that's dangerously low. We lose opportunities when it's that low. We lost a sizable opportunity not too long ago; a major retail distribution center elected to go to Phoenix because they were concerned over our lack of population and low unemployment rate, and they didn't want to risk not being able to hire employees for a million-square-foot facility.

SCARCE LAND CAUSES PROBLEMS

Connie Brennan (*Nevada Business Journal*): The first item on the agenda is land availability. Is anyone aware of new property to be released by the BLM, or is this a problem we'll be struggling with for awhile?

LaGrange: Another parcel in Aliante in North Las Vegas will be released in November. That doesn't help the industrial market at all, but hopefully it will help satiate the homebuilders a little bit. Home-

builders are getting much more creative. I talked to an engineer who said she's doing really small lots with three-story homes on them, so hopefully that will contribute to affordable housing.

Muscelli: In our market today, to make a sale, you have to be risky and overly aggressive to succeed. I'm not sure how prudent it is. To be a good brokerage firm, we have to advise our clients to take big risks. You have to gamble, because every other buyer is doing that to succeed and there is little property left. Very soon we're going to be virtually out of the land that is feasible for most businesses that want to service the local economy, especially in the industrial market. I disagree with some of the panelists here, because I think we are, in fact, losing companies to other cities. I've seen what's happened in my own company. I also say the rents in industrial, especially bulk industrial, are going to go up dramatically. So we may not be making money doing industrial deals and we're not going to make money selling land to developers like we used to, and the investment market is extremely challenging. When the interest rates go up I think

there are going to be a lot more sellers than there are buyers, so I don't think the investment market makes sense very much longer. When the interest rates go up, we're going to have a challenge for the next three years selling investment properties as people think, "I thought my price was this, why did it go down?"

Brennan: Do you think there's a trend for brokers to get more involved in the investing end of it? And if so, do you see a conflict of interest in representing the seller and then buying the property? Is that a common practice?

Muscelli: It happens, but I don't think it's a common practice.

Brennan: Do you think it's a trend for more and more brokers representing the seller to turn around and buy the property?

Muscelli: No.

Multiple Voices: No.

Lord: You hear a lot about brokers getting a piece of the deal, a little sliver of ownership, and that's another gravy factor for them. They're not the out-and-out owner, but they're in there.

McMenemy: A lot of brokers who've been in this marketplace for a long time have a

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financial statement that's strong enough to allow them to get into deals. But, no, they're not vying for listings. You heard everyone chime in on that.

Byron: I think if everyone sitting at this table – and I see a lot of power here – is not investing in Las Vegas real estate, shame on you. By investing when the opportunities come up, the buys we're making as principals are offered to our clients first. For a variety of reasons they may not buy: they have cash flow problems; they can't move quickly enough; or corporate at that time says no; there could be a lot of reasons. If it's a good deal, we may buy it ourselves, knowing they're going to buy it in six months or a year to use as an investment themselves, and they're happy we do this. We always offer it to our clients first, and I find it hard to believe the people sitting in this room are not doing it, too. Does that conflict with your clients? Maybe yes and maybe no.

ROLE OF BROKERS CHANGING

McMenemy: In order for the brokers in Las Vegas to continue to prosper and to be effective, we've gone through a transition, a sort of a renaissance. It happened in Phoenix, and it's come over here. As the market matures and as it gets larger, brokers have become more specialized and more focused; there's more market segmentation. Also, they're looking back into the marketplace and looking at redevelopment. Whatever the building is now, you've got to visualize something else, and it's not just mixed-use. It's taking an office building and turning it into a medical office building or an office condo development.

Broadhead: I agree with Perry that we have to change our way of thinking. As brokers we look backward and try to project forward from historical data. You're trying to predict the future for your client in a certain area: "Will this project lease out? Will it sell? What's going to happen with this piece of land?" It's really hard for us right now, because you've got people coming from out of the market, from places like Miami and New York, who have a totally different view of Las Vegas than we do. I have a piece of office land along the Beltway with topography problems, drainage problems and all sorts of issues. It would have sold two years ago for \$9 a foot, but the guy's now listing it

*"In our market today,
to make a sale,
you have to be risky
and overly aggressive
to succeed."*

for \$30 a foot. He's had people from Miami come in and say, "\$30 a foot? That's a great deal." So maybe we have to stop looking backward. You need to have a vision of Las Vegas as a unique market, different from any other in the country, and be creative, while at the same time keeping some fundamentals.

Jones Walker: It got to a point where brokers were almost order-takers, because in this market in the last couple of years, you put a sign up and "They will come," like in *Field of Dreams*. But realistically, the brokers who are going to survive and generate the dollars are the ones who give really great service to their clients, and a lot of brokers in the marketplace don't know how to do it or have forgotten how to do it. That involves helping clients do the correct pro formas, making sure they're not just buying a piece of dirt, but that it will be something they can afford to develop. You're going to have to project the rents, but what are they going to be when you're done building in 24 to 36 months? For the brokerage community as a whole, service is going to be the No. 1 thing. Successful brokers have to make sure their clients do well in this market.

Brown: We have the responsibility as brokers to our clients to make sure we don't just turn a property into a higher use because it looks good on paper. It actually has to have some serious forethought. If we just advise them to go ahead so we make some money, it's not a good thing to do. We have to be careful what we advise them to do. We use the resources we have at our disposal in order to advise them as to whether the higher use is really in demand in this particular market.

Woodyard: The biggest obstacles to helping the tenant make the right decision are the time it takes to do tenant improvements and also the cost. About 60 percent of my

business is with companies whose corporate offices are not located in Las Vegas, and I'm working with one person right now who's doing an office in Denver. It's almost the same size as the office they're doing here, and they are building out second-generation Class A space in both markets. The tenant improvement allowance in Denver is \$50 and here it's \$5. So there's a huge education process when you're working with people from other places.

Broadhead: Tenants come into our market from outside, and they're used to being able to obtain office space for \$30 to \$40 a foot. Costs to build out the space are now coming in at \$50 and even higher, and for smaller tenants, they can't even build it for \$60 a foot. It's becoming a big problem. We need more tenant-improvement contractors who are hungry, and right now supply and demand is against us, because they're all busy.

Jones Walker: Tenant improvements are just a nightmare right now. I am building out three buildings myself, but I've been waiting 90 days just getting space planning done and sitting dead in the planning department waiting to have my plans checked.

Broadhead: Delays with permitting mean it's taking tenants too long to get into their space. It used to take 60 or 90 days, now it's 120 days.

Jones Walker: Or six months.

Stanley: It's taking us four to six months now to get a building permit. It's just getting insane. All of a sudden the margins are getting very thin because of the time it takes to finally complete a project. If we could get in and out like we used to, the profit margins would be where they should be. Again, if we had more affordable housing, many it would make it easier to find the staff we need at the municipal departments.

Broadhead: We need to encourage landlords to build out spec space so people can move in on time. It will be better for our market than the old traditional way, waiting for the tenant to come, space-plan it, and then build it. Plus, you can save money by building it out at the same time you're building out the other spaces in the building.

HIGH-RISES ON THE HORIZON?

Brennan: There's one item on the agenda I really wanted to touch on, and that's high-rise construction. Our magazine has been

tracking these projects, and they number 125 and counting, but some of them have already pulled back. Does anybody believe all these high-rises will be built?

Multiple Voices: No.

Cobb: I met with officials at the City of Henderson and Clark County three or four months ago. They said they anticipate somewhere between 40 and 45 percent will actually be built. Who knows what the percentage would be today, because of interest rates and construction costs? I know of about 10 high-rises planned for Reno, and probably half of them will be built. We have a lot of closed casinos downtown, and people are converting them into condos. Some of them are doing well and some of them aren't.

Willmore: It will have a huge effect on the industrial market if these Las Vegas projects get built. The Fertitta family controls at least a couple million square feet of industrial now between Industrial Road and Procyon north of Tropicana, and if that whole section from Tropicana to Flamingo and Industrial Road to Arville or Wynn goes high-rise condo, which is what's being talked about, that could take 4 or 5 million square feet of industrial out of our inventory. That would have a huge effect.

Muscelli: You're talking about a huge amount of displacement with these high-rise projects. Businesses that are currently serving local customers will have nowhere to go.

McMenemy: My prediction is that all these projects will be built eventually by somebody, but it's not going to be by the folks who are proposing them now. Hard money will eventually come in and take over the failed projects. A lot of architects are making money putting together renderings and plans for projects, and I think, because of the affordable housing issue, we're going to have to go vertical. It's just inevitable. It happened in Miami. It happened in L.A. It's happening in Phoenix now.

Stanley: Let's talk about the developers who collect a deposit from buyers. Now they can't get the product out of the ground. Buyers cancel and have to get the bank to refund their deposit.

Muscelli: I'm doing a market survey. How many of you know people who are planning to live in one of these condos?

(No hands are raised.)

McMenemy: I don't know any.

Muscelli: How many know people who bought them to speculate?

(Several hands are raised.)

Jones Walker: They don't even have a clue how they're going to close [escrow] on them.

Muscelli: When it comes time to close, and they see a \$1,500-a-month association fee and a higher-interest-rate mortgage, they'll think, "Maybe I don't want to do this after all." And then what happens?

Stark: They're all expecting to flip the property.

Muscelli: That's right. They'll risk \$25,000 and take a shot that they'll catch an appreciation jump of \$100,000 for the next two years. After all, Las Vegas had the fastest-growing real estate prices in the country last year. Why not take a shot? If I'm an investor, I'll put some money down on condos – maybe three or four of them, and that's going on all over town.

LaGrange: Another fundamental concern is construction. Where are all the construction workers going to come from when we start building all these high-rise condos? And are we going to have the concrete to build concrete in-

dustrial buildings if it's all used for high-rises? And what will all that demand do to prices, both for labor and for materials?

Jones Walker: Another thing to consider is that they still have not completely taken care of construction defect laws in Nevada to protect developers and contractors, so once high-rises get built and the lawsuits come, what are they going to do? And where are we going to get our contractors if insurance costs go up again and they can't afford insurance?

Lord: From a retail standpoint, the bigger-box retailers are having a hard enough time paying what we're asking them in this market right now. Somebody's doing a sales job on these tenants, because they're telling them that all these condos are high-density, which the big-box retailers need to justify the higher prices. They look to you as their agent, and they say, "Are these units going to be owner-occupied and how many are going to get built?" There's just no way, at this point in time, to quantify what's going on with this because so much of it is pie-in-the-sky marketing. 

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WHAT'S RIGHT WITH REITS?

Real Estate Investment Trusts own many important commercial properties in Nevada, including most of its malls. Shown at the Grand Canal Shoppes, owned by General Growth Properties, are: Chuck Coleman, Vice President, Investments & Development, Crescent Real Estate Equities, Ltd.; Natalie Allred, General Manager, Nevada and Eastern Region, Pan Pacific Retail Properties; and Dan Sheridan, Executive Vice President, General Growth Properties, Inc.

SILVERWING DEVELOPMENT Right at Home in Northern Nevada

COMMERCIAL REAL ESTATE REPORT: OFFICE

Real Estate Investment Trusts

What's Right with REITs?

by Tom Dye



Investing in real estate can be a risky business. Individual investors who bought property in the wrong place and at the wrong time, or saw the real estate market take an unexpected plunge, can attest to the difficulties of this investment. Developers who have tried to line up financing for real estate projects are also affected by the unpredictability of the market.

Real estate investment trusts (REITs) provide an alternative that many experts say is an easier and safer way to invest in property. REITs, which have had strong returns in recent years, are also a valuable source of financing for developers and have played a role in Nevada's growth.

More than \$300 billion is invested in the domestic REIT market, with 25 percent in industrial and office buildings and a nearly equal amount in retail stores, market analyst Timothy Middleton said in a recent article in *MSN Money*. Apartments account for 15 percent, with hotels and other sectors of real estate comprising the remainder.

Nearly 90 percent of real estate investment trusts are equity REITs that own property. Other REITs provide mortgage funding and some are hybrid REITs that do both.

The National Association of Real Estate Investor Trusts (NAREIT), the trade group for the industry, has 195 member trusts that trade on the stock exchanges. The industry also includes a large number of private, nontradable REITs, but the exact number is not available.

Publicly traded REITs "share characteristics of both stocks and mutual funds," authors Rich Mintzer and Annette Racond wrote in *The Everything Investing Book*. REITs, which were created by Congress-

sional legislation in 1960, trade in shares, but are managed in a way similar to mutual funds. REITs do not give investors ownership in property, but are required to pay out at least 90 percent of their profits in dividends. REITs don't have to pay corporate taxes; plus, they get tax breaks from depreciation, but investors are taxed on returns. Many mutual funds and retirement accounts include REITs. Private REITs and those that don't trade on the exchanges usually have a minimum investment requirement of at least \$1,000, but the minimum requirement for other REITs is one share.

"Look back in time and you'll discover that real estate stocks have outperformed the S&P 500, the Dow Jones Industrial Average and Nasdaq on a compound annual total return basis over the past 30 years," said NAREIT Senior Vice President Michael Grupe.

Information about specific trusts can be obtained from brokerage houses or from company reports and business publications. The *NAREIT.com* Web site provides further information, and the organization also publishes indexes that track the industry.

NEVADA REITs

One of the most aggressive retail REITs operating in Las Vegas is Pan Pacific Retail Properties Inc. It now owns eight retail centers in Las Vegas totaling 1.8 million square feet after buying the 80,000-square-foot Alamosa Place (Desert Inn and Pecos roads) in March.

The Vista, Calif.-based company owns Cheyenne Commons, Sahara Pavilion North, Sahara Pavilion South, Rainbow

Promenade, Winterwood Pavilion and Decatur Meadows in Las Vegas and the Green Valley Town & Country Center in Henderson. In Northern Nevada, Pan Pacific owns retail centers Mira Loma, Caughlin Ranch and North Reno Plaza in Reno, Elko Junction in Elko, West Town in Winnemucca and Eagle Station in Carson City.

The company is the largest operator of shopping centers in the West, with 137 centers, and plans to add 14 or 15 more. Nevada figures prominently in its expansion plans, said President and Chief Executive Officer Stuart Tanz.

"There is an ocean of capital out there when it comes to real estate, which will continue to drive growth and stock prices," said Tanz, who foresees a strong market for REITs in the long term. "There is very strong retail tenant demand in Nevada and very strong rent growth." Pan Pacific's total return on its assets has been 16 percent over 10 years, but has risen to 35 percent over the past three years, he said.

General Growth Properties, a Chicago-based company listed on the New York Stock Exchange, owns or has an interest in more than 200 regional malls in 44 states, making it the second largest retail mall REIT in the United States. In Southern Nevada, it owns the Fashion Show, Boulevard and Meadows malls and the Grand Canal Shoppes at the Venetian. General Growth Property's merger with The Rouse Co. a year ago added 37 regional malls to its portfolio. "Las Vegas is one of General Growth's most significant markets and one of the world's best retail destinations," said Dan Sheridan, executive vice president, General Growth Properties. "Our Las Vegas retail portfolio has nearly doubled in the past year, and will grow by an additional 1 million square feet with the development of a regional shopping center in Summerlin Centre, and another 300,000 square feet with the construction of The Palazzo at the Venetian."

Crescent Real Estate Equities Co., based in Fort Worth, Texas, has big plans for Hughes Center, a complex with 10 office buildings and nine retail outlets in the heart of Las Vegas at a strategic location (Flamingo and Paradise roads) near McCarran International Airport. Because of the strength of the Las Vegas economy, the company is adding 250,000 square feet office of Class A office space to the center, scheduled for completion in No-

ember 2006. It also has plans for further expansion, said Keira Moody, vice president of investor relations.

The REIT, which is traded on the New York Stock Exchange, has had an annual return of 12.4 percent in the 10 years since it went public. Its return surged to 16.8 percent last year. The company has 60 percent of its assets in the office market in the Southeast, Southwest and on the West Coast, but also invests in the development of vacation homes and resorts, said Jane Page, managing director of asset management.

Crescent finances East West Partners, which is developing high-end single-family homes, condominiums and townhomes in Colorado and the Lake Tahoe area for people who want to buy vacation homes in resort areas. It also finances the Canyon Ranch resorts and an offshoot of the operation, Canyon Ranch Spa Clubs, which has a spa in the Venetian Hotel. Moody said Crescent is impressed with Las Vegas because it is attracting more national companies that continue to need more office space to grow.

Some of the other public REITs with property in Nevada include Houston-based Camden Property Trust, which owns 199 Oasis apartment complexes, including 17 in Las Vegas, and Bedford Property Investors Inc., which owns the Russell Commerce Center and Northport Business Center in North Las Vegas. Bedford, based in Lafayette, Calif., operates more the 90 industrial and suburban office buildings in California and four other western states, including the U.S. Bank Center in Reno.

Las Vegas-based Vestin Group has a different strategy in the real estate trust market. Vestin is applying to the Securities and Exchange Commission to change two of its investment funds from limited liability companies into mortgage REITs. The two funds combined are valued at \$430 million and have about 7,000 investors, said Chief Financial Officer John Alderfer.

The change must be approved by 51 percent of the funds' investors. Alderfer said Vestin has received positive feedback from its investor focus groups, and he is hoping the conversion can be made by the end of the year or sooner. The main reason for the change is to allow investors more freedom to convert their investments into cash. Limited liability companies allow only 10 percent of their funds to be taken out in a given year. REITs do not have this restriction.

Vestin has invested heavily in the West, but has mortgages in property in other areas of the country. Typically, it provides short-term funding for commercial projects that have trouble obtaining financing from other lenders, Alderfer explained. The developers usually take out longer-term, lower-interest loans after they have cash flow and a balance sheet that qualify them for conventional financing.

Although REITs are usually not the type of investments that finance gaming projects, Vestin funds provided a loan for The Cannery Casino Hotel, which was built in North Las Vegas five years ago.

REITs AS INVESTMENTS

Despite the advantages of REITs, investment experts point out real estate is not for the fainthearted. A plunging real estate market can hurt investors. Investment advisers say the risk falls somewhere between the volatility of stocks and the steadiness of bonds. The financial performance of REITs and the track record of fund managers should be checked before investing.

Las Vegas Certified Financial Planner Deborah Danielson fears the volatility of

the markets and a dip in real estate values could affect real estate investment trusts. However, she is still high on REITs for the long run, even though she does not believe 20 percent returns will continue. She is placing more of her clients' money in non-tradable REITs, which are protected from the unpredictability of the markets. She invests about 20 percent of a typical portfolio in REITs, with about three-fourths of the amount in the non-tradable variety.

Danielson, president of Danielson Financial Group, points out that non-tradable REITs do not have the liquidity of publicly traded trusts, but they often have exit strategies, such as buyback clauses. Typically, clients hold non-tradable REITs for five to seven years and can expect steady returns of about 9 percent.

Mike Cruz of the investment firm Courtland Financial Group in Newport Beach, Calif., advises investors to place a quarter of their portfolio in REITs, but he also believes they should have direct ownership of property in cities with strong economic potential for growth. Cruz said, "I'm a big believer in the REIT market both now and in the long run." 

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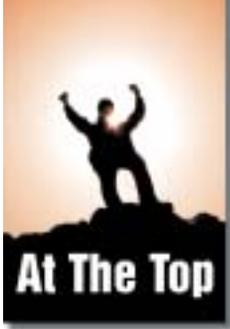
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by Jessica Groach-Santina

Silverwing Development *Right at Home in Northern Nevada*

Several years ago, when Silverwing Development entered the Northern Nevada market, the area's housing boom was just beginning. At that time, the developer's only Nevada project was a raw piece of land in Stead, known as Sky Vista. The land was broken into smaller parcels for subdivisions, and sold to other developers for residential building. And in one small portion, Silverwing built the Sky Vista Commons apartment complex. Out of this small project, Silverwing Development has grown to become one of Northern Nevada's top developers, and a 2004 winner of a Builders Association of Northern Nevada People's Choice Award.

Silverwing Development, founded in 1986 and headquartered in Concord, Calif., has been active in residential, commercial and land development projects in California, Nevada and Texas. Its principals have experience in both institutional and entrepreneurial real estate environments and have been involved in the underwriting, development, management and sale of Class A office buildings, shopping centers and multi-family projects, as well as attached and detached single-family homes.

Since its arrival in Northern Nevada, Silverwing has contributed greatly to the area's changing landscape. Across the street from Sky Vista Commons, in a formerly commercial property, it developed the Villas at Sky Vista, a series of 126 attached homes, or duets. Then came Bear Creek, a community of 28 executive-style homes in Galena, and University Ridge, 50 homes overlooking the city from the ridge north of North McCarran Blvd. and Socrates Drive. From large projects like

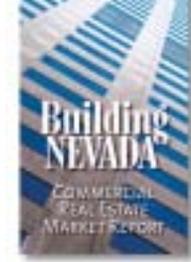
the Villas, all the way to in-fill projects with as little as three houses, Silverwing chooses projects based on quality, not size.

"Often times, we'll take a deal that some bigger builders might not, because they don't want to deal with projects with so few homes," said Beth Bridges, sales and marketing manager for Silverwing's Reno office. She said there are benefits to Silverwing's small size. The Reno staff totals only seven; even at the Concord headquarters, the staff numbers just nine. "This way, we can be more unique and pay more attention to the details. Not answering to a big corporate entity, we can control what we're doing from within, which gives us the ability to change faster because we don't have to go through as many layers of decision-makers. If we see a great-looking idea, and we can work it into the budget, we do it."

Of the Northern Nevada market, Bridges said that while skyrocketing property values are good for business, it also means that in general, the area needs more entry-level, affordable housing. "While interest rates are still down, the price of houses is going up, so it's practically a wash. I think there's a need for the lower-priced houses, so people who live and work here can afford to buy a home," she stated. The Villas at Sky Vista, which were priced in the low-100s a year ago as starter homes, are now selling in the low 200s.

On the horizon for Silverwing are several developments, including The Cottages, a series of 109 duets east of the airport near Hidden Valley, and Grand Summit, a 79-home project located between Robb Drive and McCarran, off I-80. Grand Summit just opened in late August, and a list of interested parties has begun for The Cottages, which should open soon. Other unnamed projects are still in negotiation.

"Silverwing's partners have been doing this for a long time, and they plan on staying around," said Bridges. "They're meticulous about the projects they choose, and about being able to produce an affordable, good-looking product." ❀



OFFICE—2ED QUARTER 2005		
TOTAL MARKET	LAS VEGAS	RENO
Total Square Feet	29,333,066	7,762,000
Vacant Square Feet	3,388,479	993,536
Percent Vacant	11.6%	12.8%
New Construction	592,947	140,000
Net Absorption	757,660	104,000
Average Lease SF/MO (NNN)	\$2.16	\$2.00
Under Construction	1,638,378	220,000
Planned Construction	4,117,326	480,000
PROFESSIONAL CLASS A		
Total Square Feet	3,330,392	3,084,748
Vacant Square Feet	234,184	413,356
Percent Vacant	7.0%	13.4%
New Construction	64,700	46,000
Net Absorption	155,908	32,000
Average Lease SF/MO (NNN)	\$2.54	\$2.05
Under Construction	336,000	108,000
Planned Construction	1,109,350	240,000
PROFESSIONAL CLASS B		
Total Square Feet	9,928,054	2,021,760
Vacant Square Feet	939,778	281,024
Percent Vacant	9.5%	13.9%
New Construction	181,247	94,000
Net Absorption	153,462	-36,000
Average Lease SF/MO (NNN)	\$2.13	\$1.85
Under Construction	477,833	102,000
Planned Construction	987,176	240,000
PROFESSIONAL CLASS C		
Total Square Feet	10,215,685	n/a
Vacant Square Feet	1,413,009	n/a
Percent Vacant	13.8%	n/a
New Construction	347,000	n/a
Net Absorption	276,632	n/a
Average Lease SF/MO (NNN)	\$2.14	n/a
Under Construction	573,627	n/a
Planned Construction	1,356,259	n/a
MEDICAL OFFICE		
Total Square Feet	5,858,935	n/a
Vacant Square Feet	801,508	n/a
Percent Vacant	13.7%	n/a
New Construction	0	n/a
Net Absorption	171,658	n/a
Average Lease SF/MO (NNN)	\$2.12	n/a
Under Construction	250,918	n/a
Planned Construction	664,541	n/a

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

LAS VEGAS STATISTICS COMPILED BY COLLIER'S INTERNATIONAL & RESTREPO CONSULTING

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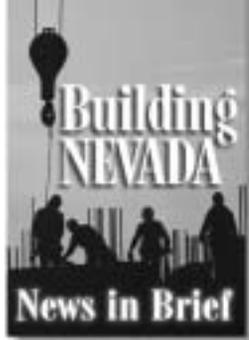
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Condo Development Planned for Queensridge

Las Vegas-based Executive Home Builders and Peccole Nevada Corporation recently unveiled plans to develop a custom condominium community in Queensridge, at Rampart Boulevard and Alta Drive in Las Vegas. The first phase of the project, named One Queensridge Place, broke ground in April and is scheduled for completion in the fourth quarter of 2006. Buyers can choose from 43 different floor plans, ranging from approximately 2,000 square feet to 14,000 square feet. Phase one will include 219 units in two 18-story buildings with two levels of private parking. Phase two includes the construction of two additional buildings, along with 17,000 square feet of class A office space. Prices currently begin in the low \$1 million range, with penthouses available starting at approximately \$4 million. JMA Architecture Studios served as architect for the project, with Perini Building Company acting as general contractor.

Carina Corporation To Sell Residential Assets To Lennar

Carina Corporation recently announced that affiliates of Lennar Corporation have entered into an agreement with Carina to purchase substantially all of the assets related to Carina's Lamplight Homes program. The sale includes most homes, neighborhoods, developed and undeveloped lots and plans related to Carina's Lamplight Homes homebuilding division. The transaction value was undisclosed. The transaction does not include the commercial developments at The Village of Centennial Spring, a 41-acre mixed-use urban village currently under construction in the northwest Las Vegas Valley. Carina Corporation is a privately held company established in 1996 by Mark and Michelle Doppe. Mark Doppe said the company intends to concentrate on mixed-use "new urban" developments.

Panattoni Breaks Ground on Business Center

Panattoni Construction's latest project in the Nevada market is the Creekside Business Center at 2575 East Washburn Road in Las Vegas. Phase I of the development includes two multi-use facilities: 40,140 square feet and 38,833 square feet, respectively. The tilt-up construction buildings, featuring space for both warehouse and office uses, are projected to be finished in December 2005. Additional mixed-use buildings, including retail components, are planned for Phase II of the business center. Panattoni Development Company is managing the project, and Blakely Johnson and Ghush designed the buildings.

PENTA Opens Reno Office

PENTA Building Group, a Las Vegas-based construction company with offices in Scottsdale, Ariz. and Southern California, has opened an office in Reno to handle commercial building projects in Northern Nevada. Lou Primak, area manager in Reno, said the four-person office in the South Meadows area recently completed a remodeling project for Conway Distribution in Sparks. PENTA specializes in several market areas, including hospitality, distribution, office, industrial and high-end retail. It has completed projects for clients in 13 states.

Korte To Complete Beltway Corporate Center

The Korte Company has broken ground on a \$4 million office building for DSA Development in Southern Nevada. The 64,000-square-foot space is the first of two office buildings that will be added to the Beltway Corporate Center at Eastern Avenue and Pebble Road. The office buildings, along with a 160-space parking structure, will be the final components of the mixed-use center, which already contains numerous retail shops and restaurants, the Las Vegas Athletic Club and Starbucks. The first of the two tilt-up office buildings is planned for completion in March 2006. 

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Wi-Fi Arrives at Reno Airport

The Nevada Commission on Tourism (NCOT) has won a national award for its marketing campaign in China, where the agency operates the first U.S. tourism office licensed to do business there. NCOT was among 10 travel industry organizations to win a coveted 2005 Odyssey Award from the Travel Industry Association of America (TIA), the nation's largest tourism and travel trade organization. The awards cover 10 categories and NCOT won for International Travel Marketing. "When NCOT embarked on our mission to develop tourism in the huge China market, we did not emulate any models or forerunners because there were none," NCOT Director Bruce Bommarito said. "We created our China marketing program and office from the ground up." During a recent tourism-building mission in Chin to celebrate the one-year anniversary of the tourism office, NCOT officials signed a friendship agreement with their counterpart agency in Shanghai to develop and promote tourism and cultural understanding between the state and Shanghai, one of China's largest cities.

Metl-Span Opens Manufacturing Facility

Metl-Span recently opened a new manufacturing facility in North Las Vegas for the company's line of polyurethane insulated panels for roof and wall applications. The new plant is located at 4700 Engineers Way in the Golden Triangle Industrial Park. Metl-Span also operates production facilities in Richmond, Va. and at its headquarters near Dallas, Texas. The 165,000-square-foot plant will employ approximately 45 people. Metl-Span is a subsidiary of Grupo IMSA, a multi-national conglomerate with a significant international presence in steel, aluminum and construction products.

Nevada Companies Recognized for Safety

The Safety Consultation and Training Section (SCATS) of the state of Nevada's Division of Industrial Relations recognized three Nevada companies this summer for successful completion of the Safety and Health Achievement Recognition Program (SHARP). The companies honored were: Mr. Gasket Performance Group, based in Carson City, which manufactures aftermarket and professional racing products; Tamarack Junction Casino and Restaurant in Reno; and the Bonanza Casino, also in Reno. The no-cost SHARP program is designed to help small employers (those with less than 250 employees) develop and implement effective safety and health programs. SCATS consultants assist employers in identifying potential workplace hazards and help them develop and implement safety programs.

BankWest Inks Monorail Deal

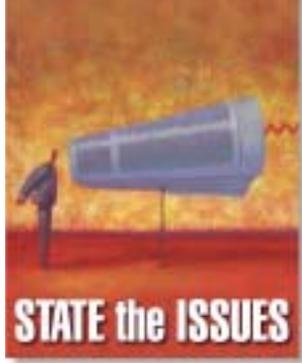
BankWest of Nevada recently announced it has signed a \$1 million, three-year deal with the Las Vegas Monorail Company to install Automated Teller Machines (ATMs) at every monorail station and to be the first local company to purchase the rights to all of the available advertising space on one of the monorail's nine trains. At a VIP unveiling event the bank introduced: an ATM system that enables users to win cash; a city-wide billboard advertising campaign featuring the new BankWest of Nevada train; and a bank-wide consumer sweepstakes campaign to win free lifetime monorail passes. The red Bank West of Nevada monorail train has been named the "Moneyrail." 



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Question: *Should a light rail line (Regional Fixed Guideway) be built from Henderson to North Las Vegas?*

YES, OUR ECONOMIC FUTURE DEPENDS ON IT

by Jacob Snow

The Regional Transportation Commission of Southern Nevada (RTC) has a vision for everyone, not just those who drive automobiles. While the RTC oversees the funding of roadway construction, we know that people need other ways to commute than driving their cars on increasingly busy streets. In addition to the CAT and MAX transit systems, another component of our overall vision of an integrated transportation system is the proposed Regional Fixed Guideway (RFG).

The RFG, envisioned as a regional rail or rail-like system, would link Henderson, Clark County, Las Vegas and North Las Vegas with the Las Vegas Resort Corridor. Though the RFG is but one part of our larger vision, it is indeed a critical component to ensuring the future vitality of our community.

Here's why: At last count, 11 people per hour move to Southern Nevada. More than 100 cars are added to our roadways every day. By 2008, conservative estimates put our population at 2 million people and by 2015 at 2.5 million people. That's the entire population of Utah – or for a more urban example, the public transportation Mecca called the Bronx.

Projects like the RFG can move more than 60,000 people per hour in a 40-foot wide corridor. Contrast that with the mere 2,000 cars per hour moved on a freeway lane. That's why it's so vital to make the most efficient use possible of existing right-of-way.

Further, public transit that utilizes our roadways just isn't enough if we are to avoid gridlock and maintain the quality of life that is largely responsible for the population and economic growth in Southern Nevada.

We cannot expect everyone in Southern Nevada to use mass transit – nor could the RTC handle such heavy demand. But we must have efficient solutions that attract some out of their cars. In cities from Portland to Dallas, more people use light rail everyday and the same can and will happen here if we provide a fast, safe and convenient rapid transit system.

Why should we continue to give our part of the gas-tax dollars to other communities instead of keeping that federal funding in our own backyard?

It's time to accept our responsibility as a world-class city that requires varied modes of transportation. Learn more at www.rfguideway.com and by attending public meetings.

By resisting change, we could lose all we have been working to create. Our economic future depends upon maintaining the quality of life we Southern Nevadans sometimes take for granted.

Jacob Snow is the general manager of the Regional Transportation Commission of Southern Nevada

NO: MASS TRANSIT HAS FAILED ENOUGH ALREADY

by W. Leslie Sully, Jr.

The taxpayers cannot afford another “smart growth” plan based on irrational idealism without taking into account economic realities. We should learn from our own experience and the experiences of other communities throughout the United States and accommodate the transportation needs of our citizens without pursuing ill-advised schemes, such as the Regional Fixed Guideway.

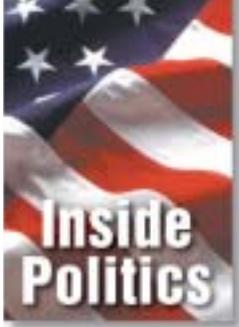
To fairly analyze the situation, two issues must be addressed. The first is whether the proposed RFG will meet the demands of the people. It has been thought that if the Regional Transportation Commission builds it, riders will materialize. However, the only places that have achieved measurable acceptance of mass transit are densely urbanized areas with significant concentrations of businesses or residents. However, our community infrastructure has already been established utilizing a late 20th-century model of less density, made possible through the flexibility of automobile travel.

Presently, residents of Henderson travel, with the freedom of their vehicles, for work, school, shopping, dining, etc. throughout the entire Las Vegas Valley, not just to and from the Strip and North Las Vegas. This will not change. Published CAT ridership figures demonstrate that two of the four least-traveled routes are those serving Henderson and Green Valley (only about 450 regular commuters) – the very areas the RTC proposes to be served by the RFG Henderson Corridor. Moreover, the RTC's argument that Strip workers will sacrifice their vehicles for train service is belied by the fact that the proposed service hours will only accommodate one of three casino shifts.

Next to be considered is whether the ostensible benefit justifies the cost, which could exceed \$2 million per commuter (based upon RTC construction estimates and existing ridership data). Moreover, the cost of continued operation will plague us forever. Witness the Monorail fiasco, which cannot seem to break even and which knowledgeable experts predict will be taken over by the RTC (at taxpayer expense). Similarly, but less known, CAT revenue figures reveal that the CAT bus system is being subsidized with almost \$50 million per year.

Cities all around the country using the same failed paradigm are just as unsuccessful. Reflecting on the absurdity of the situation, *Wall Street Journal* writer P.J. O'Rourke recently observed that municipalities picking up the tab for mass transit losses could have more economically leased a luxury automobile for every commuter served. Public responsibility mandates that we approach the problem of transportation with an eye on economic viability.

W. Leslie Sully, Jr. is an attorney with the Law Offices of Leavitt, Sully & Rivers in Las Vegas.



by Mike Sullivan

Campaigning for 2006 Seats *How Early is Too Early?*

Kenny Guinn created a new precedent when he decided to run for governor – two years before the race actually started. Now candidates for the state’s highest office announce their intentions well ahead of time and have campaign offices in full swing more than a year away from the general election.

This type of early campaigning hasn’t been limited to the governor’s race, however. Candidates have been announced for nearly every constitutional office in Nevada, and some have already put together impressive organizations and are touring the state to line up votes.

Until a few weeks ago, the most active candidates were those for lieutenant governor. Democrat John Moran, Jr. had raised a warchest of more than \$1 million and put together an impressive campaign team, but he unexpectedly dropped out of the race, citing a desire to spend more time with family. No word as yet on who might jump into the race on the Democratic side, but attorney John Hunt, who ran unsuccessfully four years ago for attorney general, has been mentioned as a possible candidate.

On the GOP side, State Treasurer Brian Krolicki has made rumblings he wants the job, and has hired November Inc., the campaign group headed by Mike Slanker and Ryan Irwin, who have guided many a Republican candidate to victory. Krolicki is no doubt going to have trouble raising money against Moran, but may find more willing donors now that his chief opponent has stepped aside.

Another name surfacing on the GOP side is former Lt. Gov. Lonnie Hammargren. He has the personal wealth to finance his own campaign, but has been reluctant in the past to spend any of his

own money to get elected. His name recognition, however, will be formidable.

The race to replace Attorney General Brian Sandoval, who is expected to receive an appointment to the federal bench this fall, is also heating up. Katherine Cortez Masto will be the Democratic nominee. She comes from a prominent political family (her dad is former County Commissioner and LVCVA Director Manny Cortez), and has made numerous connections throughout her career.

The Republican candidates are less certain at this time. What might make a huge difference is the timing on Sandoval’s appointment. If he leaves the job in the next few months, Guinn will be obligated to appoint someone to fill the rest of his term. That person will certainly have a leg up as the incumbent, as well as a significant fundraising edge. Las Vegas attorney George Chanos and public defender and university regent Brett Whipple have been actively seeking Guinn’s appointment. It is unclear whether they will both run if they do not receive an appointment.

Supporters of Masto have encouraged Guinn to appoint a caretaker to the seat,

someone who would agree not to run and just manage the office until the next attorney general is elected. Those close to the governor, however, have indicated he is not likely to do that and wants to give his fellow Republicans an edge in the race.

The other major statewide office getting a lot of attention is secretary of state. The current officeholder, Dean Heller, has announced his intentions to run for the northern congressional seat being vacated by Jim Gibbons. Most of the action has been on the Republican side, where former UNLV basketball star Danny Tarkanian is said to be interested, along with party loyalist Brian Scroggins.

Democratic State Senator Valerie Wiener has expressed an interest in running for the seat, and Northern Nevada businesswoman Kate Marshall has also been meeting with possible supporters and fundraisers. As of publication time, neither woman had announced or hired any campaign staff, and others are expected to look seriously at the race. 

Michael Sullivan is President of Knight Consulting, a local government affairs firm.

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Setting Up a 401(K) Plan for Employees

Where Do You Begin?

For small business owners, a 401(k) qualified retirement plan can be powerful tool for attracting and retaining talented employees and for helping them to achieve a secure retirement. These plans offer tax benefits as well – for both the employer and the employee.

As an employer, you will be responsible for making important decisions regarding your company's plan. Because establish-

ing and administering a 401(k) plan is fairly complex, many business owners use the services of outside professionals. The following four steps are an overview of the key actions you need to take to establish a 401(k) for your employees. Remember, your choices and actions must comply with specific, detailed rules.

1) Adopt a Written Plan – The written plan governs the day-to-day operation of your 401(k) plan and ensures your plan conforms to legal requirements. Your first task is to decide on the type of 401(k) plan you want to open – a traditional 401(k), a safe harbor 401(k), or a SIMPLE 401(k) plan.

Once you have selected the best plan for your company, you can determine what investment options to make available to the plan's participants. You will also need to decide how much of the employees' contributions will be matched by you, although employers are not required to match employee contributions. Keep in mind that federal law dictates who is eligible to participate in such plans and the amount employees can contribute.

2) Arrange a Trust Fund for the Plan's Assets – The assets invested in your company's 401(k) plan must be held in trust. This is a security measure that safeguards the plan's assets and assures those assets are used solely for the benefit of the plan's participants and their beneficiaries. You will be required to name at least one trustee to oversee the trust funds. The integrity of the plan depends on the trustee, because the trustee handles contributions, investments and distributions to and from the 401(k) plan.

3) Develop a Recordkeeping System – Once your plan is operating, you'll need to have a comprehensive recordkeeping system in place to keep track of contributions, earnings and losses in participants' accounts, expenses, plan investments and benefit distributions. The plan administrator typically carries out this function. An accurate recordkeeping system will also help you or your plan administrator to prepare the plan's annual report, which must be filed with the federal government.

4) Provide Plan Information to Employees – The Summary Plan Description (SPD) is a plain-language document with information about the plan's benefits and requirements. The SPD must be distributed to all plan participants. The document must include information about features of the plan, including: when and how employees become eligible; contributions to the plan; how long it takes to become vested; and when and how to claim benefits. The SPD must also explain the basic rights participants have under the Employee Retirement Income Security Act.

You may also want to provide additional information that highlights the benefits of joining the plan, such as pre-tax contributions, employer matches if you choose to make them, and compounded tax-deferred earnings.

Consult with a CPA

With proper education and research, small business owners can provide retirement benefits to employees – and to themselves – in a cost-effective manner. If you need help in determining whether you should establish a 401(k), you should consult with a CPA. 

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by Carole Vilardo, President, Nevada Taxpayers Association

The 2005 Legislative Session: Some Property Tax Relief Accomplished

With money flowing into the state's coffers since the end of the 2003 legislative sessions, the prevailing view was that the 2005 legislative session would be relatively easy compared to 2003. And generally it was, if you discount the legislative politics of the last 10 days. During that time, a record number of bills were put "on the desk" and more conference committees were held than in recent sessions. Unfortunately these circumstances led the governor to call the 22nd Special Session, which lasted nearly eight hours, causing the Legislature to exceed its 120-day limit.

For most property owners, 2005 was viewed as a good session, because proper-

ty tax relief was provided. It was the issue that dominated the first two months of the session. To a lesser degree, meetings on property tax relief continued throughout the rest of session to address issues that were not addressed in the original bill (AB 489). Finally, by the last week of session a second bill (SB 509) – a companion to the original bill – was passed.

From the perspective of residential property owners, it was probably the best legislative session since 1981, when property taxes were reduced an average of 46 percent statewide. While the 2005 session did not reduce property taxes, it did minimize increases in property tax bills by capping the amount of increase. For homeowners,

property tax bills are capped at a maximum of 3 percent over the prior year. For other property owners, the cap is 8 percent.

For local governments, including school districts, property tax relief has led them into uncharted territory. However, as long as sales tax revenue comes in at the current record levels, revenue reductions from property tax will be offset for most local governments.

It remains to be seen if property taxpayers will be satisfied with the relief they receive; if there will be constitutional challenges; or if a petition for a California-style property tax cap will qualify to be placed on the ballot and be approved by the voters. Only time will tell. 

Major Provisions of Property Tax Legislation

CAP AMOUNTS

- All property: 8 percent over the prior year's property tax bill. Includes centrally assessed property.
- Homeowners who occupy their residence: 3 percent. The cap still applies if the owner operates a home business out of the residence or if the title has been placed in a trust for the purpose of estate planning.
- Residential Rental Property: 3 percent, if the rent charged meets federal requirements for low-income housing. This cap does not apply to hotels, motels or other transient lodging.

TO CALCULATE THE CAP

Add the greater amount of all property taxes levied the prior year on the property or what would have been levied without any exemptions that might have been applied; and

1. The percentage of the amount determined which is equal to the lesser of:

The average percentage change in the total assessed valuation of the county over the average of the current year plus the prior nine years; or 8 percent; and then take

2. The percentage amount that is equal to the greater of:

The resulting percentage amount calculated in number 1; or twice the percentage increase of the Consumer Price Index (CPI) for the prior calendar year. (Note: The CPI percentage used for this fiscal year, 2005-2006, is 5.4 percent.)

The resulting percentage becomes the tax cap for each parcel of property for the current fiscal year.

EXCLUDED FROM THE CAP

- Any increase in the assessed valuation of the property from the prior year that is due to any improvement or change in the actual or authorized use of the property.
- Ballot questions that indicate the property tax increase requested is outside of the cap.
- Any property tax rate imposed by the Legislature.

DEFINITIONS

- "Single family residence" - property occupied by one family with facilities for living, sleeping, cooking and eating. Includes: a mobile or manufactured home; a condominium; a home in a common-interest community, a planned unit development or a similar property.
- "Primary residence" - designated by the owner in this state, exclusive of any other residence of the owner in Nevada that is not rented, leased or otherwise made available for exclusive occupancy by any person other than the owner of the residence and member of the family of the owner.

NOTES

- A taxpayer who believes the wrong cap has been applied may apply to the county treasurer to correct the cap.
- Provides for a simplified form to be developed by the Department of Taxation to allow owners of business property to use the income approach to appeal their property.

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**The Shade Tree Shelter
*Helping Women and
Children in Crisis***

The Shade Tree (TST) is the only 24 hour-accessible shelter designed specifically to meet the needs of women and children in Southern Nevada. Since 1990, TST has served homeless and abused women and children. Many of those who stay at TST are victims of domestic abuse, elder abuse or street violence. Others who make TST their temporary home include female veterans, the elderly, the working poor and the physically disabled. These women and children do not receive just a place to stay and remain safe. They also receive an opportunity to rebuild their lives through the numerous programs the shelter offers.

TST's mission is simple: to provide safe shelter to homeless and abused women and children in crisis and to offer life-changing services promoting stability, dignity and self-reliance.

Each year, it provides more than 80,791 nights of shelter with 364 permanent beds and 50 temporary beds for those in need. Beds are maintained at all times for crime victims, so those who are brought in by the police during the night will have a place to sleep. It also offers residential areas with sleeping rooms, libraries, training rooms, children's play rooms, a kitchen, laundry facilities and showers. Last fiscal year, TST sheltered 3,987 women and children, including 1,421 under the age of 18. Residents at TST represent all ages, races, ethnic groups and educational levels.

"Women are sad and scared when they first come here," said Brenda Dizon, executive director for TST. "We take our time and try to make them feel more comfortable, try to let them know there are many women here who have been in their situation. We want to be able to provide

support, help and the means necessary for them to be able to leave."

"We meet different needs at the Shade Tree," said Dizon, "Women and children who are homeless or who have been abused receive immediate protection and safety. Then, we work with them to take the steps necessary for a normal life with stability, dignity and self-reliance, while teaching them how to break the cycle of homelessness and abuse."

The Job Development program assists residents in getting a job, as well as developing the skills, attitudes and abilities necessary to work up from lower-wage jobs to employment that enables residents to support themselves.

All services provided are free to the client, regardless of the length of stay, removing any barriers that may affect someone's decision on whether to utilize this valuable resource.

TST continues to grow. The Las Vegas Furniture Show, a furniture exhibition held at the Sands Expo in July, worked with its exhibitors and provided truckloads of new furniture from the show. Later in the year, TST will open an animal shelter called Noah's Animal House for the placement of family pets that can no longer stay with their families, or that would be harmed if left behind.

The organization, funded by city, county, state and federal agencies as well as private foundations, is a local agency with no national affiliation or support. Sixty-three percent of its \$2.9 million budget is provided by local community support, and 94 cents of every dollar donated to TST is used for direct client services. Dizon pointed out that direct donations, fundraisers and special events are crucial to the continued success of TST as it continues to grow and work with an ever-increasing number of women and children in need.

"I am looking ahead to the opening of Noah's Animal House," said Dizon. "And then, the endless possibilities from there." 🌿



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by Cindie Geddes

Saint Mary's Health Network *Still Growing After All These Years*

In 1877, a group of intrepid nuns made an unplanned stop in Reno on their way from California to Kentucky. When they saw the need to educate the children of miners and farmers, they ditched their Kentucky plans and stayed in Reno to build a school. By 1908, the nuns had gone on to build a hospital for the rapidly growing community. While the Dominican Sisters could not have predicted what the area would become nearly 100 years later, they would have been happy to know that their legacy of compassionate healthcare continues to thrive.

Today, Saint Mary's Health Network employs more than 2,500 people and consists of 11 healthcare facilities in Northern Nevada (including a health plans division and a philanthropic foundation). But just as it was when the sisters came through over 100 years ago, Reno is still growing and changing.

Lawrence O'Brien, president and CEO of Saint Mary's Regional Medical Center, who came to Reno from Hawaii this year, was attracted to the balance of mission and margin at a faith-based facility. He was also attracted to the challenges of Reno's dynamic community and Saint Mary's active approach. "Healthcare is changing dramatically," he said. "It is becoming more of an outpatient business. And hospitals are built for inpatient service."

In response to this shift and to fill the community's needs, Saint Mary's expanded its West Campus with a six-story, 215,000-square-foot Center for Health adjacent to the existing hospital. The building is owned by Ensemble Real Estate Services and leased by Saint Mary's. The

Center for Health focuses on the comfort and care of clients, with an emphasis on architecture and design elements to make people feel at ease. Halls are wide, ceilings high, colors soothing. Windows bring in ambient light where possible. State-of-the-art technology is balanced by a respect for privacy and individuality.

The center features clinical and fitness facilities including: a complete health, fitness and rehabilitation facility; radiation oncology with high-dose-rate brachytherapy, linear accelerator and CT scanner; a women's center with digital mammography, breast MRI and cancer resources; outpatient physical, occupational and communication therapy; executive health and wellness; outpatient imaging services with a complete range of diagnostic and radiological services; cardiac and pulmonary rehabilitation; a complete laboratory; high-tech auditorium and physician's offices. To complete the picture, Saint Mary's added a new 1,150-space parking garage and a unique second-story public plaza with grass, fountains and benches – all open to employees, families, patients and the public.

Saint Mary's West Campus's importance as a regional economic center, as well as its strategic location adjacent to downtown Reno, were some of the reasons this area was selected by the city to be included as part of a new Redevelopment Area.

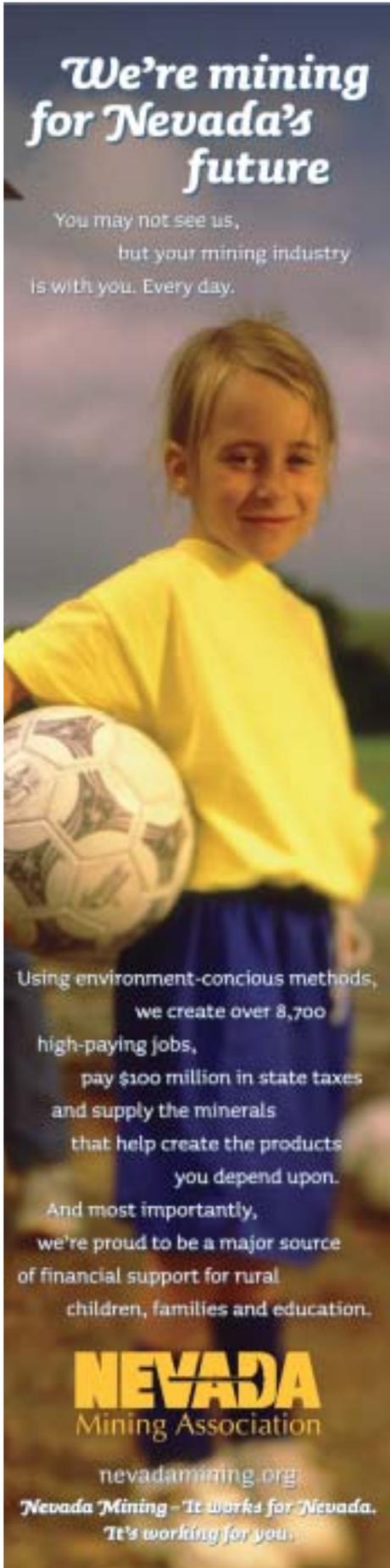
A Redevelopment Area can offer property owners the staff, expertise and resources to spur economic development and reduce crime without levying a new tax. The Redevelopment Area allows some of the property taxes to fund projects designed to further private investment. Over time, property owners and residents in and around the Redevelopment Area see a more attractive community, increased property values, lower crime rates and increased services.

While a new Redevelopment Area could help lead to more retail and housing for employees and the public, O'Brien is concentrating on the healthcare needs of the community by expanding Saint Mary's emergency room. "Our ER was built for 23,000 visits a year," he said, "but we are experiencing about 52,000." He hopes to see the expansion completed in late 2006.

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by Mark Keays

Where Did All My People Go?

Contingency Planning for Your Company

The office phone on the empty desk rings and rings, but no one is there to answer it. Not a problem in your organization today – but how about tomorrow, next week or next year? Take a look at the people in your organization. How many of them are nearing 65 or are eligible to retire? In most cases, the list is a lot longer than anyone expected. It is estimated that over 76 million baby boomers will be retiring in the next 10 years and only 45 million Generation X'ers will be available to replace them. There is also the “beer truck” scenario. One of your key employees, vital to the ongoing success of the company, doesn't look before stepping off the curb into the street and – bang – immediate job opening.

Far too many organizations wait until people announce they are retiring or leaving to decide it is time to find replacements or fill positions vacated by attrition. The leadership of any organization should complete an analysis of retirement-eligible personnel and key personnel and then look at who is being prepared to fill those slots.

Looking at the retirement-eligible group, many organizations take the approach that “Good old Joe will be with us forever,” and then get a rude awakening when Joe makes it known he plans to retire in six months. Depending on Joe's role in the organization, there may be a short or very long learning curve for someone to gain the level of proficiency and knowledge needed to effectively fill his shoes.

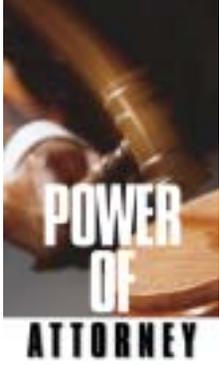
Another major issue is the corporate knowledge that will walk out the door when Joe leaves. Far too often, the rationale for decisions, programs, projects or plans are never documented. Walk around your organization and ask some of the long-term employees why certain software programs were written the way they were, or why a specific contract or deal was written the way it was, and you'll find a lot of that information is stored only in the heads of those directly involved.

Contingency planning or succession planning is not just an organizational initiative; it should be a shared responsibility with employees. Employees need to understand that it is up to them to continue to grow and learn as much as they can, so they continue to be valuable asset to the organization and be ready to move up as opportunities arise. For its part, the organization needs to define the criteria necessary to move into various positions so employees know what knowledge, skills and experience are needed for the position.

The benefit to the organization is that it has a pipeline filled with people at various stages of readiness who can move into positions the organization knows they can handle. Additionally, employees are going to be more productive, better trained and in almost all cases, more motivated to perform because they can see where the organization is going and the roles they can play in its future.

Relying on an ad in the Sunday paper to find the right employees when you need them is an iffy way to run a business. Those organizations developing and implementing contingency or succession plans are the ones that will be the strongest in years to come. 

Mark Keays is president of Desert Management Services, a Las Vegas-based management consulting firm, and a faculty member of the University of Phoenix, where he teaches in the areas of organizational change, human resources and management.



by Jay Young

Saving Money on Attorney's Fees *A Guide for Clients*

Now that you have chosen an attorney, how do you keep from giving him or her a blank check? In many ways, you control the amount of fees. Remember the famous saying attributed to Abraham Lincoln: "A lawyer's time is his stock in trade." Every time you or anyone calls or writes your attorney, you will be charged for the time needed to field the call or read the letter. You can save fees by following a few tips:

- Prepare a detailed chronology, complete with important dates, details of conversations and correspondence between the parties. Nobody is more familiar with the facts surrounding your case than you are. Your attorney may spend hours and hours poring through documents trying to make heads or tails of what has happened, but you can save time and fees by taking a few moments to provide an outline of what happened and when.
- Organize your documents in chronological order and flag those documents that are most important and that tell your side of the story. If you want, you can highlight sections of documents, or refer to them in your chronology. Give your attorney all documents, even if you don't think they will be helpful, because your attorney has an obligation to give the opposing party a copy of all documents that might be relevant. I have had too many clients hold documents back, thinking they weren't essential, only to find out later (and many times too late) that the documents contain the proverbial "smoking gun." Don't forget to include any notes or even doodles you created while talking on the phone with anyone involved in the suit.

- Prepare a list of all witnesses. Include all people who have, or could have knowledge about any portion of the lawsuit. Provide their names, employers, positions, addresses and phone numbers. It is better to give more information to your attorney than less. You may even want to give your attorney a short written narrative about what each person may know, may have witnessed, or told you about the event.

- Bring skeletons out of the closet. If you have something to hide, assume somebody will find it, because they probably will. You will only hurt your own cause and end up costing yourself more money when you try to keep damaging information away from your attorney. Armed with knowledge of your weakness, your attorney can fortify your position against an attack. There is nothing worse to an attorney than being blind-sided at trial with information his client didn't disclose because he thought nobody would ever find out.

- Consider keeping a pad of paper on which to write ideas, questions and con-

cerns about your lawsuit. When you have a few of them written down, call your attorney or set an appointment to see him. Once you have his undivided attention, discuss all matters on your list until you are satisfied. If you don't use this method, you may find yourself calling your attorney five times a day and you may be charged for five calls at the attorney's minimum billing increment instead of for one conversation.

- Ask if there are matters you or your staff can handle. Many times a client can obtain information, run errands or perform document gathering and organizing tasks that will advance the cause of the lawsuit and save money. Don't be afraid to tell your attorney that you are concerned about fees and want to handle some ministerial matters yourself. 🌻

Jay Young is a shareholder at Marquis & Aurbach whose practice focuses on general, civil and commercial (business disputes) litigation.

The Congress, by joint resolution, has designated September 17th as Citizenship Day and the week beginning September 17th and ending September 23rd of each year as Constitution Week.

ATTN: NEVADA TEACHERS FREE EDUCATIONAL DVD ON THE FRAMING OF THE CONSTITUTION

A *More Perfect Union: America Becomes A Nation* is the first comprehensive recreation of the stirring, heated debates that took place during the summer of 1787 at the Constitutional Convention. Filmed on location at Independence Hall, Williamsburg, Virginia, and other historical sites, the movie dramatically chronicles how America became a nation and illustrates the underlying principles that guard our freedoms today.

The film, produced in 1990 by KBYU-TV, was initially shown on PBS nationwide and was viewed by almost 2.5 million people. It received several gold and silver awards in national and international film festivals, including an Emmy Award.

Because *Nevada Business Journal* realizes that it is vital for schoolchildren to learn and understand the Constitution and its principles, we have ordered a limited number of copies of this educational program. As a public service, we will provide a DVD FREE OF CHARGE to any Nevada teacher who wants to use it in his or her classroom. A teacher's guide for the movie may be downloaded from the Website of the National Center for Constitutional Studies.

To order your free copy, please call our office at (702) 735-7003 ext. 28, or email your contact information to info@nbj.com.

studies center, art museum and auditorium. "We have gone from scarcity of knowledge to this explosion of knowledge," Lilley said about the resources that are readily available to students now in the digital age. At \$105 million, the library is the largest public works project in the history of the state. It is slated to open in 2008.

UNR also found some success this year in the legislative session, when the state allowed it to keep all of its research funding. Typically, 25 percent of almost every research grant goes to facilities and administration. "We appealed to them to let us keep all those dollars and invest them in a new biotech/biomed facility at the School of Medicine that will serve not only the School of Medicine, but Nevada Cancer Institute. It will also support cutting edge biology and cutting edge biotechnology," Lilley said. As a result, the university will be building a \$75 million biomed/biotech research center.



Philip Ringle

TRUCKEE MEADOWS COMMUNITY COLLEGE

Whenever Truckee Meadows Community College (TMCC) President Philip Ringle is asked if the college needs anything, his usual response is: "The college doesn't need anything. The right question is, 'What does the community need that the college can help with?'"

Ringle said TMCC prides itself on helping to provide Northern Nevada communities with a skilled, trained workforce and helping to create economic diversity. "We see ourselves as a real partner with the community and with both governmental agencies and business and industry in solving some of the workforce needs in the area," Ringle said.

The college is working with various industries where the need is greatest, including construction, manufacturing, automotive repair and allied health. This year it started two new accelerated nursing programs, in which students can earn a degree in 18 months. One is for adults who already have a bachelor's degree and the other is a dual-admission program for 11th graders, who attend the program the summer before their senior year in high school and the summer after.

This year, the college also opened its Redfield campus, a joint venture with UNR. TMCC offers various programs, including nursing and veterinarian technician training, as well as general education. It is planning to add an alternative-energy program in the future. Ringle said the two institutes will be looking at offering several joint programs.

TMCC also received a television channel from Charter Communications that will help with its distance education programs. "We now have 3,000 students enrolled in some form of distance education, via the Internet or television," Ringle said. "We'll not only be providing distance education, but we will be able to broadcast to the community some of our cultural events, plays and musical performances and highlight some of our programs via television."



Carol Lucey

WESTERN NEVADA COMMUNITY COLLEGE

High school seniors who are hesitating about whether to attend college had better watch out. "If we get our hands on them, we turn them into college students," said Western Nevada Community College President Carol Lucey. "And we hope they

become successful college students, earning associate degrees and then bachelor's degrees. We've had many success stories of students who have gone on to law school and graduate school and have succeeded at some of the best institutions in the country."

The college has campuses in Carson City, Fallon and Minden/Gardnerville, as well as four rural centers. Its enrollment is just over 5,000 students.

Lucey said community colleges often focus on students who might be the first in their families to go to college. "Our mission is to help those students make that transition to higher education by providing a lot of TLC," Lucey said.

Western recently implemented an athletics program with a women's soccer team and men's baseball team, both scheduled to begin play in the 2005-2006 school year. They will compete under the division I Scenic West Athletic Conference. Both teams are funded entirely by philanthropy, Lucey said. The college also started a surgical technology program, which offers a certificate after one year of training. "This program trains people to assist in operating rooms, freeing up nurses for bedside duties, so it assists with the nursing shortage," Lucey said.

ANSWERING CHALLENGES

Despite the challenges Nevada college and university presidents have keeping up with ever-increasing student enrollment, Harter said Nevada has something that most states don't: an entrepreneurial spirit. "The entrepreneurial spirit here makes it possible to develop a whole variety of new programs and activities very rapidly and very successfully," Harter said. "It's just a greatly positive environment. There are no obstacles."

Carpenter agreed, saying, "In most places I've been, when you talk about trying something, people say, 'Oh no, we tried that. That won't work.' Here it's, 'Let's give it a shot.' It's more receptive to change, to different ideas."

Rogers said he is excited about the university system's future and he thinks the public should be as well. "If I were the public I'd be watching this and saying, 'Wow, look at these exciting things they are doing in the system,'" Rogers said. 

Education Extra:

MBA Programs Model Real-World Experience

Today's business leaders are facing some thought-provoking issues, from regulatory compliance and global outsourcing, to maximizing shareholder value. MBA programs are tasked with preparing executives for these and other real-world challenges, and the best way to do that is not through theoretical concepts, but through experience in scenarios that are as real as schools can make them.

For example, University of Phoenix has a program called Next-Generation MBA, which focuses on management and leadership challenges. Several simulations are woven into the curriculum to allow students to make real-time decisions, just as they would in the workplace. Working in teams, they are confronted with real-world problems such as communication difficulties, ethical issues and human resources challenges.

"The complex issues confronting managers require more than experience and technical expertise to resolve," said Brian Lindquist, associate vice president of academic affairs and dean of the College of Graduate Business and Management at University of Phoenix. "Above all, managers must have keen judgment and exceptional problem-solving capabilities."

Regis University, a Jesuit institution based in Denver, trains its MBA students to run a business through a type of software known as a "responsive model." The computer simulation puts students in charge of a virtual company in which the decisions they make affect the company's balance sheet, cash flow, market share and stock price.

Classes are divided into teams who are put in charge of a fictional sneaker company. Students work together to make decisions that eventually affect the many divisions of their firm. The computer software shows them how each choice has ripple effects throughout the organization.

Michael Goess, chairman of Regis' division of business graduate programs, said, "Everything you do in the classroom is analyzing what someone else has already done, or what someone else thinks should be done. You don't get to put your ideas into play. But there is no better experience than actually doing, rather than watching."



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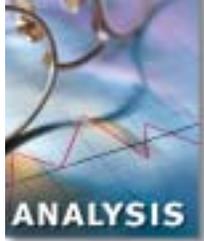
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Business Indicators

The data, across a wide range of measures, support what we hear: the economy is doing well, with more favorable than unfavorable financial reports.

The U.S. price and employment picture shows stable prices, even in the face of sharp increases in oil prices, and a steadily – if belatedly – improving job market. Inflation remains at less than a 3 percent growth rate, up 2.5 percent annually for the Consumer Price Index. Even with the employment-to-population ratio remaining well below the peak levels of the 1990s' expansion, the U.S. unemployment rate continues to drift downward, now hovering at 5 percent.

Nevada's key economic sectors also report strong performance of late, though Reno's travel and tourism sector languishes, having grown a modest 0.7 percent from April 2004 to April 2005. This is in fact a decline, if adjusted for inflation. In comparison, Las Vegas travel and tourism has been lively, up 6.5 percent measured year-over-year for April. Construction continues to remain robust throughout the state, with both Reno and Las Vegas continuing to do very well. The marked increase in commodity prices has rekindled growth and further stimulated the economies of rural Nevada.

Though most foresee no quick reversal in economic fundamentals, it is not uncommon for problems to first emerge during the mid-phase of the business cycle. It is not surprising, therefore, to see the increasing attention now focusing on housing-market speculation. The increasing use of interest-only mortgages, purchases of real estate for quick price appreciation, the increasing participation in the mortgage market by households with limited resources or precarious finances, along with modestly increasing rates, foretell one possible issue that could bring the current expansion to a close, but current conditions point only to a possible concern, not a high-level alert.

All in all, strong momentum has kept the Silver State's economy performing nicely, and it should do so in the months ahead.

	UNITS	DATES	DATA			GROWTH		COMMENTS
			LATEST	PREVIOUS	YEAR AGO	RECENT (%)	YEAR AGO (%)	
NEVADA								
EMPLOYMENT	1,000 EMPLOYEES	5/05	1,223.6	1,213.7	1,148.3	0.8	6.6	Strong
UNEMPLOYMENT RATE	%, NSA	5/05	3.7	4.0	4.2	-7.5	-11.9	Very Favorable
TAXABLE SALES	\$ BILLION	4/05	3.683	4.079	3.330	-9.7	10.6	Up Annually
GAMING REVENUE	\$ MILLION	4/05	878.22	1,031.86	827.54	-14.9	6.1	Up Annually
PASSENGERS	PASSENGERS	5/05	4.404	4.179	4.083	5.4	7.9	Up
GASOLINE SALES	MILLION GALLONS	4/05	90.15	96.37	90.42	-6.4	-0.3	Price Effects
VISITOR VOLUME	MILLION VISITORS	4/05	4.424	4.376	4.383	1.1	0.9	Up
CLARK COUNTY								
EMPLOYMENT	1,000 EMPLOYEES	5/05	869.5	863.5	808.4	0.7	7.6	Strong
UNEMPLOYMENT RATE	%, NSA	5/05	3.7	3.9	4.3	-5.1	-14.0	Very Favorable
TAXABLE SALES	\$ BILLION	4/05	2.748	3.031	2.473	-9.3	11.1	Up Annually
GAMING REVENUE	\$ MILLION	4/05	723.52	864.99	679.05	-16.4	6.5	Up Annually
RESIDENTIAL PERMITS	UNITS PERMITTED	5/05	3,610	3,595	3,020	0.4	19.5	Up Annually
COMMERCIAL PERMITS	PERMITS	5/05	126	130	86	-3.1	46.5	up
PASSENGERS	MILLION PERSONS	5/05	3.904	3.707	3.571	5.3	9.3	Up
GASOLINE SALES	MILLION GALLONS	4/05	61.12	65.40	60.58	-6.5	0.9	Price Effects
VISITOR VOLUME	MILLION VISITORS	4/05	3.841	3.795	3.743	1.2	2.6	Up
WASHOE COUNTY								
EMPLOYMENT	1,000 EMPLOYEES	5/05	217.3	215.0	208.1	1.1	4.4	Strong
UNEMPLOYMENT RATE	%, NSA	5/05	3.5	3.9	3.6	-10.3	-2.8	Excellent
TAXABLE SALES	\$ BILLION	4/05	0.529	0.591	0.500	-10.4	5.9	Up Annually
GAMING REVENUE	\$ MILLION	4/05	84.66	86.30	84.07	-1.9	0.7	Flat
RESIDENTIAL PERMITS	UNITS PERMITTED	5/05	629	469	490	34.1	28.4	Up Annually
COMMERCIAL PERMITS	PERMITS	5/05	29	20	41	45.0	-29.3	Up Recently
PASSENGERS	MILLION PERSONS	5/05	0.414	0.397	0.424	4.3	-2.3	Holding
GASOLINE SALES	MILLION GALLONS	4/05	14.78	15.37	15.52	-3.8	-4.8	Price Effects
VISITOR VOLUME	MILLION VISITORS	4/05	0.373	0.373	0.431	-0.1	-13.6	Down Annually
UNITED STATES								
EMPLOYMENT	MILLION, SA	6/05	1133.537	133.391	131.479	0.1	1.6	Up
UNEMPLOYMENT RATE	%, SA	6/05	5.0	5.1	5.6	-2.0	-10.7	Improving
CONSUMER PRICE INDEX	82-84=100, NSA	6/05	194.5	194.4	189.7	0.1	2.5	Modes Oil Impact
CORE CPI	82-84=100, NSA	6/05	200.6	200.8	196.6	-0.1	2.0	Still Good
EMPLOYMENT COST INDEX	89.06=100, SA	1Q05	167.4	166.4	163.5	0.6	2.4	Up
PRODUCTIVITY INDEX	92=100, SA	1Q05	136.9	136.1	133.2	0.6	2.8	Favorable
RETAIL SALES GROWTH	\$ BILLION, SA	5/05	350.775	345.072	320.016	1.7	9.6	Staying Strong
AUTO AND TRUCK SALES	MILLION, SA	6/05	17.49	16.62	15.37	5.2	13.8	Up
HOUSING STARTS	MILLION, SA	5/05	2.009	2.005	1.974	0.2	1.8	Staying Strong
GDP GROWTH	\$ BILLION, SA	1Q05	11,096.2	10,994.3	10,697.5	0.9	3.7	Still Expanding
U.S. DOLLAR	97.01=100	6/05	111.620	110.440	115.640	1.1	-3.5	Mixed
TRADE BALANCE	\$ BILLION, SA	5/05	-55.349	-56.899	-48.742	2.7	-13.6	Trending Down
S&P 500	MONTHLY CLOSE	6/05	1,202.22	1,191.50	1,140.84	0.9	5.4	Up
REAL SHORT-TERM RATES	%, NSA	6/05	2.92	2.94	0.95	-0.7	207.4	Up
TREASURY YIELD SPREAD	%, NSA	6/05	0.96	1.24	3.34	-22.6	-71.3	Narrowing

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.

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