

5/16/19 speech on Agenda Item #4

I asked that this item be put on the Agenda as I have become increasingly concerned about our County's role in providing an Event Center in the casino corridor here at Lake Tahoe.

Setting aside my basic objections to Redevelopment being used as a pathway for a government entity to capture funds to be spent exclusively to benefit a small area within a larger domain, the whole county—a scheme that usually begins in short-sighted good intentions, but ends all too frequently in financial deficits, corruption, or waste—I hope to provide a much broader perspective of why I resist, in particular, RDA #2 in Douglas County.

First and foremost, our very recent budgeting process has highlighted how our County cannot, under the present circumstances, afford to lock out additional revenue from its general fund. As we see in the 5-year projection, costs are exceeding revenue every year and so we must dip into reserves to balance our annual budgets. Current estimates suggest property taxes captured by RDA #2 will be upwards of 110 Million **dollars** over the 30-year term of redevelopment. This astounding increase is due mainly to the inclusion of the newly renovated, now 5-Star, 100 Million Dollar

Edgewood Tahoe Lodge opened 4 months after the establishment of RDA #2 and also the Private Beach Club Condos project that has already set a record by selling 102 million dollars worth of condos just in its pre-construction phase. These multi-million dollar condos, in the planning stage for more than a decade, went on the market a mere 10 months after RDA#2 was approved.

As everyone acquainted with how a redevelopment area works knows, all increases in property tax that come after the date of the establishment of the redevelopment area do not go into the county's coffers to be spent to benefit the people in the whole county, but instead, these increases are siphoned off and the redevelopment agency gets to spend the funds on whatever enterprise or task it deems desirable, the only stipulation being that the funds must be spent solely on enterprises or tasks within the redevelopment area's boundaries. Additionally, schools, police, and other entities that operate within the county also lose any needed additional funding that would normally flow to them absent the redevelopment agency's exclusive claim. A clear example of how redevelopment agencies automatically bring about financial burdens to all other government entities in a county can be seen in the Final Year 2016-2017 RDA#1 Distribution

spreadsheet, a copy of which has been provided for everyone.

So, but for the creation of RDA #2, the very real possibility that something in the neighborhood of \$110 million dollars of additional property tax revenue would flow into various basic county services funds. After all, both the Edgewood Tahoe upgrade and the Beach Club Condos were well underway years prior to RDA #2 being put in place. When done properly, a redevelopment agency comes into being because a significant area within a city or county has fallen into decay and disrepair. The idea is to incentivize otherwise private enterprise in fixing up the unappealing, detrimental area with the payoff being those businesses taking the risks will earn good profits in the end. The increased taxes that flow to the RDA comes from the additional value created by private investment. That does not describe RDA #2.

I have heard it asserted that neither the Edgewood Tahoe Lodge or Beach Club Condo lucrative business ventures would have occurred had it not been for RDA #2, but that assertion fails logically when the timeline for both of the ventures is examined. Or, another scenario, one that lends some credence to the assertion, might be that the owners of Edgewood or the

owners of the Beach Club were promised they would be in a redevelopment area dedicated to the casino corridor because then all of the increase in taxes they would generate through their ventures would be spent at the **casino corridor**, and not on Douglas County needs. This could apply to the other casino owners as well. They might all have felt gratified to think their tax increases were going to benefit them almost directly. I don't think that speaks well of either those owners or the folks doing the promising, but it seems possible as things have turned out.

A big problem with that kind of crony capitalism is that it has a government, in essence, redistributing capital to special interests. Here in Douglas County that means, as I've previously referenced, that we are facing a financial crisis while at the same time through RDA #2, we are funding low-priority projects, or projects better undertaken by the private sector—such as the big-ticket item in RDA #2, an estimated 80 million-dollar Event Center up at Lake Tahoe.

“Why is this guy claiming Douglas County is in a financial crisis?” you are undoubtedly asking. To answer that, I have to get into the weeds a bit, so bear with me, but for starters, consider this worrying fact: Douglas County's **budgeted** increase in revenue

for 2019-2020 over 2018-2019 is 5.0%, but its budget for total personnel costs (wages and benefits) increased 6.1%, and personnel costs have risen to a whopping 73% of budgeted general fund revenue. To put this in terms that will assist you in seeing this as a big problem, the 2019/2020 budgeted revenue increased 2.7 million dollars, and 2.69 million dollars of that 2.7 million dollars was eaten up by personnel costs. So how much is left over to cover future increases other than personnel costs? \$164,654. That's right. Less than \$200,000. Where will the additional funding that is bound to be desperately needed as unexpected obligations arise going to come from? Over the next 5 years it is coming from using up our reserves.

We also have our "Did Not Fund" items on the current Capital Improvement Plan. These two items, in particular, I find especially troubling:

We didn't have the money to provide the number of sheriffs our sheriff thinks we should have. Crime is on the rise, even in our rural county. Should we put an Event Center ahead of safety?

We didn't have the money to provide the library with sufficient staff. Again, should we put an Event Center ahead of meeting the educational needs of the County?

There is funding sitting in the RDA #2 account right now that would take have taken care of both the Sheriff's request and the library's request.

And what about other County needs? Governor Sisolak has already caused a 2 million dollar deficit for DCSD by legislatively implementing a policy that takes state funding away from rural counties. Our schools were already in trouble financially. We cannot know just how bad this situation is going to get.

And what about the proverbial roads that are in desperate need of repair? For decades Commissioners have been campaigning on addressing infrastructure, only to **meting** out dribbles of money to actually doing the repairs or passing expensive bonds to repair a few major roads. The **2013 Road Maintenance Task Force** estimated that 41 million dollars would be required to accomplish that task. Again these are needs and how are we to meet them?

Plus, where's the funding for a new JLEC building going to come from, and how soon? According to the 2019-2020 CIP Budget Meetings, 31 million dollars are urgently—and I stress that word urgently—needed for a Judicial Law Enforcement Center.

Finally, visionaries are calling for a 20+ acre Douglas County Government campus at the cost of an additional 69 million dollars.

RDA #2 takes away funding from each and every one of the things I just mentioned. Can a successful argument be made that the casino corridor dominated by a number of billion-dollar businesses should get the more than 110 million dollar increase in property taxes that have been walled off by RDA #2?

Douglas County is, according to current optimistic estimates, slated to receive one million dollars per year for 30 years in overall increased revenue for its general fund from RDA#2. Does it make sense for the County and its residents and taxpayers to participate in a redevelopment scheme that reduces tax revenues it could receive from more than 110 million dollars down to 30 million dollars?

30 million won't even scratch the surface on the several hundred million dollars we already know the County is going to have to find somewhere in order to do right by its residents.

What are the chances another Edgewood Tahoe Lodge or Tahoe Beach Club are going to come along to bolster the County's tax revenues by more than 110 million dollars?

An Event Center may sound good—and it may even be good, and even be just as good for the local lake business community as speculated earlier in this meeting. But is that enough to say it outweighs other vitally important needs for which this County is going to be bound to pay?

Several decades ago when the proposal that the Lake should have a convention center made its way into the NRS, things were far different than they are now. There have been revolutions in gaming, revolutions in what we know about the environment, and one financial crisis after another. Still, even in the original planning, it was not Douglas County taxpayers taking any role in financing said facility, it was the private sector. That was best then, and I think that remains best.

RDA#2 is not a sound approach to financial stability for Douglas County, and it does not serve the best interests of the residents and taxpayers. We should not risk taxpayer money on such a risky endeavor. This Board should waste no time in dissolving RDA #2 and

bringing the much-needed revenue it would be generating back into the County for countywide needs.

Dave Nelson, District 1 Commissioner