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ECONOMIC DEVELOPMENT'S CAN-DO ATTITUDE

Adapting to a Changing Environment

Industry Focus: Residential Brokers

Dealing with Staffing Issues: Nevada Employers Struggle with Labor Shortage

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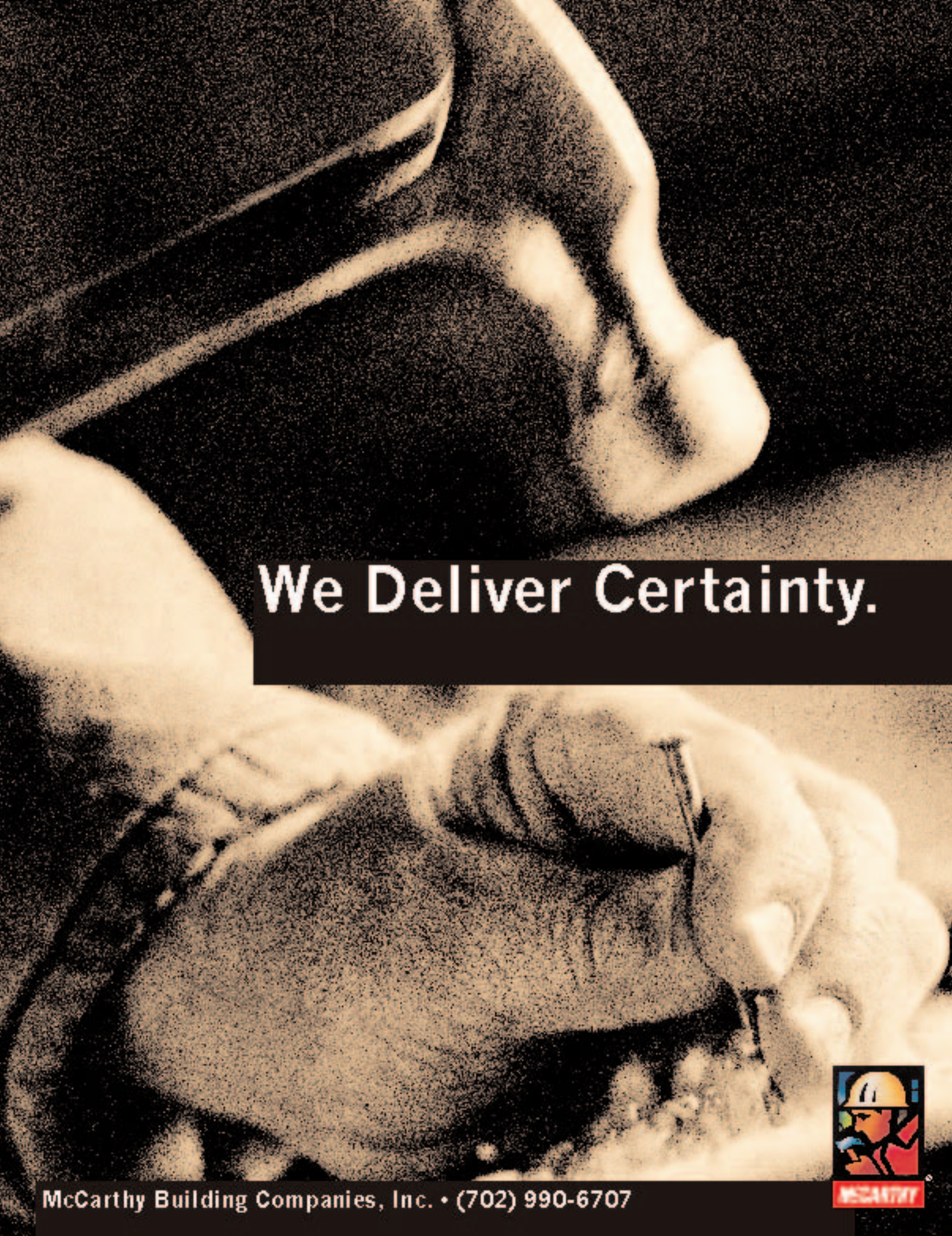
SPECIAL REPORT: NAIOP Southern Nevada Bus Tour Guide Book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COMMENTARY

LYLE E. BRENNAN
Publisher

The Initiative Process
The Voice of the People

The initiative process provided by the Nevada Constitution gives the state's citizens the right to force a public vote on an issue if they gather a minimum number of signatures. It is democracy in its purest form. Over the last few years, many measures have been proposed through this process, from legalizing the sale of marijuana, to raising the minimum wage, to regulating smoking in public places. TASC (Tax and Spending Control for Nevada) and PISTOL (Property Owner's Bill of Rights), which were proposed in 2006, were developed by people concerned with controlling government spending and protecting property rights.

The recently concluded legislative session saw several efforts to change the initiative process. Some passed, some failed, and many were modified almost beyond recognition. For a complete list of the proposed measures and their outcomes, go to the Web site maintained by the Nevada Families Eagle Forum: *nevadafamilies.org.* It is interesting to look for the motives behind some of these bills, and to wonder why legislators are so determined to erect barriers to keep people as far away as possible from the governmental process.

For example, mining interests are fearful of Nevada voters because Montana voters passed an initiative forcing mine owners to clean up polluted sites. It's no coincidence that two of the bills that would have made it extremely difficult to conduct an initiative campaign were sponsored by Sen. Dean Rhoads, whose rural district depends heavily on mining. Union organizers harassed signature gatherers for the TASC petition in 2006, and it seems likely they put political pressure on politicians to oppose future efforts to control taxes and spending.

The powerful education lobby opposes any efforts to reduce the growth of the property taxes that fund a significant portion of their budget. They knew before the session started that former Assemblywoman Sharron Angle intended to put another property tax restraint petition together this year, and they wanted to undermine her efforts before she could get started. All these forces, and many more, were behind efforts to throw as many obstacles as possible in front of people trying to exercise their right to get on the ballot.

Assembly Bill 606 would have required each person or group advocating passage or defeat of a constitutional amendment to submit to the Secretary of State the names, addresses and phone numbers of all officers, employees and volunteers. The bill also prohibited petition organizers from paying people for each signature they collect, which has proven to be the most efficient way to run a petition campaign, and contained several other burdensome requirements. The bill passed the Assembly 42 to 0, but was stopped in the Senate.

The original version of Senate Bill (SB) 549 would have required a petition to contain signatures from registered voters in each of the state's 42

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COVER:
Bob Cooper, manager of the City of Henderson's Economic Development Department and Tim Rubald, executive director of Nevada Commission on Economic Development check out the assembly line at Ocean Spray Cranberry, one of the plants located in Southern Nevada. Read what the economic development experts have to say about economic development and retention in the Silver State.

Photo: Opulence Studios

BUILDING NEVADA:
Bill Oakley, president of First National Bank of Nevada, is among those interviewed about the game of investing in real estate. Find out what the experts have to say about Nevada's market. (Story pg 142)

Photo: Opulence Studios

SPECIAL REPORT:
This month's special report is the Southern Nevada NAIOP (National Association of Industrial and Office Properties) Chapter Bus Tour Guide Book.

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BUILDING NEVADA

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Assembly Districts. It also would have required petition gatherers to carry around registration lists and verify that each person who wanted to sign the petition was a registered voter. The 42-district provision was eventually eliminated, and replaced by a formula that requires an initiative petition be signed by registered voters equaling at least 10 percent of the total number of voters in each county.

Senate Bill 78, which passed, makes it a felony to sign someone else's name to a petition, or to willfully alter personal information on a petition with the intent to falsify. It makes each individual alteration a separate felony offense. At first glance, it sounds harmless – the initiative process wouldn't have much credibility if petitions were full of forgeries. However, if an opponent decides to challenge a petition, the fear of being accused of a felony (or multiple felonies) could be a powerful tool for harassing signature gatherers.

Assembly Bill 604 includes many more financial reporting requirements, increasing the burden of paperwork for campaigners and making them spend time and money filling out forms instead of doing their political activities.

Despite the best efforts of big labor, Big Education, Big Mining, and just plain big government, the people of Nevada made it through the session with their rights intact. We can still sign a petition and get a proposal in front of the voters. Now it's up to each of us to investigate the measures that will be proposed this year and to do our best to make sure that the ones we support make it past all the obstacles and become law.

COMMENTS
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BUSINESS UP FRONT

IRS Regulations Affect Compensation Plans

The final IRS Section 409A regulations, which will become effective Jan.1, 2008, will impact hedge fund managers' nonqualified compensation plans. The final regulations clarify several issues impacting fund managers, but subsequent guidance is still pending with respect to many issues. David Simonetti, senior manager in Grant Thornton's compensation and benefits group, explained the issues addressed under the final regulations. Below is a brief overview of the final regulations:

• The impacts on partnerships were not addressed, but limited guidance provides that the grants of profits interests would be excluded from Section 409A.

• Back-to-back arrangements are permitted, assuming certain requirements are met.

• Management fees associated with "side pockets" or unredeemable and illiquid investments must be structured to avoid violating Section 409A.

• Specific timing of initial deferrals elections for newly established funds is required.

• Amendment dates for deferred compensation plans are required by Dec. 31, 2007.

SBA Scorecards for Federal Agencies

In an effort to increase the transparency and accountability in small business contracting, the U.S. Small Business Administration (SBA) released its first-ever Small Business Procurement Scorecard. The Scorecard will help agencies measure their achievements and progress in making contracting opportunities available to small businesses, improve the accuracy of contracting date regarding small businesses, and provide the public the opportunity to assess agencies' performance in meeting these goals. Seven federal agencies met their small business contracting goals. SBA rates 24 agencies green, yellow or red, both on whether they reached their annual small business contracting goals and on their progress on efforts to make contracting opportunities available to small businesses. To achieve a green rating a federal agency has to meet its overall small business contracting goal, as well as the goals for at least three or four subcategories. Currently, seven agencies were rated green, five yellow, and 12 were red.

Holding Off on the Golden Years

For many workers, retirement will not mean an end to their careers. Only one in three workers polled said they plan to quit work entirely once they are already to retire from full-time employment, according to a recent survey developed by Robert Half Management Resources. The survey was conducted by an independent research firm and includes responses from 492 full- or part-time adult workers employed in office environments. Workers were asked, "When you are ready to retire, do you see yourself quitting work entirely, or taking one of the following options?" Their responses were as follows: 34 percent said they would quit work entirely; 24 percent would change fields; 14 percent would work as consultants; another 14 percent would work fewer hours for the same company; 2 percent would take a part-time job; 2 percent would not plan to retire; 1 percent would volunteer; and the other 9 percent responded other/unknown.

Telecommuting Gaining Ground

The proliferation of wireless technologies and Internet applications is making it easier for information technology (IT) professionals to work outside the office, according to a recent study. It includes responses from more than 1,400 CIOs from a random sample of U.S. companies with 100 or more employees. Nearly half of chief information officers surveyed said their companies' IT workforce is telecommuting at a rate that is the same or higher than five years ago. For CIOs whose companies allow telecommuting 34 percent cited improved retention and morale through enhanced worklife. Increased productivity due to reduced commute time was cited by 28 percent of respondents. However, nearly half of all CIOs surveyed felt that quality of work suffers due to diminished in-person contact with colleagues. While telecommuting can benefit employers and employees alike, it's important that companies have the appropriate infrastructure in place to facilitate staff who work on a remote basis.

FACE TO FACE

James Bennett

President
Chicago Title of Nevada
Las Vegas

Years in Nevada: 41

Years with Firm: 20

Type of business:
Title and Escrow Company

Biggest business challenge:
Managing the company as the real estate industry expands and contracts. There is a responsibility to all employees to do the best possible job.

What do you like best about your job?
The company management's main responsibility is to keep the staff in a position where they can be successful in representing our name and ethical approach.

If you could start over and choose a different profession, what would it be?
My passion has always been acting. I figured out a while ago that these were not the best career choices when considering my future and my family. The title business suits me fine.

How do you spend your time when you're not working?
My lovely wife Monica and four children have kept me focused for years. When there is a moment, you will find me playing and recording music in my studio.

Little-known fact about yourself:
I was named "actor of the year" in the RJ (2005) for my performance as Horton in Seussical.

Best Business Advice:
There is no substitute for hard work when given the opportunity. The lightning rod is timing.

How do you recruit and retain qualified employees?
We largely promote from within which creates avenues of growth for our current, loyal employees. On occasion we will focus on a geographic location, or a business type and identify a person who might be able to contribute immediately to that need.

Kathy L. Phillips

President/CEO
Nevada Commerce Bank
Las Vegas

Years in Nevada: Native Nevadan

Years with Firm: 7

Type of business:
Commercial Banking

Biggest Business Challenge:
To avoid falling into the trap of price wars. We could easily market interest rates, deposit products, or online banking but our niche wants more than that.

What do you like best about your job?
I enjoy the ability to instill confidence in our team, and our clients.

If you could start over and choose a different profession, what would it be?
My early college years were focused on education, however, I found an interest in banking early on and knew that I could achieve many of the same rewards.

Best Business Advice:
My best business advice would be to find something that really interests you, do your best and let nobody tell you "no". Find what sets you apart from the competition, whether it's the product, the price or the service, and capitalize on your niche.

Little-known fact about yourself?
I am absolutely the worst golfer ever. The only thing coordinated is my outfit.

Do you offer training and schooling for your team members?
Absolutely, we take great pride in the fact that the bank offers educational opportunities and/or training to each and every employee.

ECONOMIC DEVELOPMENT'S CAN-DO ATTITUDE

ADAPTING TO A CHANGING ENVIRONMENT

Fiscal year 2006-2007 was not the rosiest for Nevada's economic development agencies, with statistics showing mixed success in attracting new companies and their jobs to the Silver State. However, officials at state, regional and local levels are optimistic that Nevada will continue to entice companies seeking a business-friendly climate, low taxes, convenient location and superior quality of life.

During the fiscal year ending June 30, 2007, the Nevada Commission on Economic Development (NCED) approved incentives for 41 new and expanding businesses. Collectively, these companies invested more than $572 million in the state a 57 percent increase over the previous year-- and created 1,486 new jobs, with an average hourly wage of $19.86. This good news was balanced by the bad news that the new job creation decreased by 21 percent over the previous year. NCED estimates these companies will infuse more than $61.4 million in new wages into the economy each year for at least five years, a figure down 24 percent from 2005-2006.

Similar mixed results were reported by local economic agencies. The Nevada Development Authority (NDA), charged with economic development in Clark County, brought in fewer companies this fiscal year (43 compared to 61). The number of jobs increased from 1,961 to 2,725, but the estimated economic impact fell from $400 million to $352 million. In Washoe County, the Economic Development Authority of Western Nevada (EDAWN) also assisted fewer businesses during fiscal year 2006-2007 (37 compared to 46). Due to high average wages, however, the economic impact actually increased from $330 million for 2005-2006 to $402 million.

Tim Rubald, executive director of NCED, said Nevada numbers are in line with the national economic slowdown. "It's all cyclical," he stated. "Job growth has slowed down both nationally and statewide. The housing slump has also undermined other industries, because companies that manufacture products used in construction are less willing right now to expand in this market." Nevada's inflated land prices and the resulting spike in housing costs have also hurt recruiting efforts, since industrial and distribution companies need large parcels of land to accommodate their facilities, and all types of businesses considering relocation have to factor in the cost of housing for their employees.

NCED Aids Nevada Businesses

NCED has several divisions, including the Nevada Film Office, which provides assistance to production companies shooting feature films, television shows and commercials in Nevada. More than 600 projects film in Nevada each year, infusing more than $100 million into the state's economy. NCED's Global Trade and Investment Program helps Nevada companies begin or expand activities in the international marketplace, while also attracting foreign investment to the state. Exports from Nevada reached a record $5.49 billion in 2006, a 39.5 percent increase over the previous year, and the fifth consecutive year of record export growth for the Silver State. Precious metals, primarily gold, comprise the leading category of export products, followed by electric machinery, toys, games and sporting equipment, industrial machinery and ores. "Nevada is the second-fastest-growing state in the U.S. for exports. It's exciting – globalization is where the economy is going," said Rubald.

Other NCED programs include the Procurement Technical Assistance Center, which helps Nevada companies obtain government contracts, the Made in Nevada Program, to raise consumer awareness of goods manufactured in the Silver State, and the Community Development Block Grant Program, which administers federal funds to build infrastructure in Nevada's rural counties.

Economic development agencies are primarily funded via corporate member dues, and through the Nevada Legislature. The 2007 legislative session dealt NCED a large budget cut that will hurt significantly, according to Rubald. "I don't think the Legislature was trying to send a message or target us in particular. It was just a matter of shortages, and not enough money to go around," he said.

The portion of NCED's budget that passes through to Washoe and Clark County agencies totaled around $9 million in 2005, but in this legislative session, it was cut to $4.5 million. Rubald said the sections of the budget for overhead, advertising, the Nevada Film Office, Rural Community Development and the Procurement Outreach Program remained about the same, except for cost-of-living adjustments.

Although Nevada taxpayers fund part of the expenses for the state's economic development agencies, as well as foregoing tax revenues when businesses receive incentives, Rubald and the heads of other agencies said economic development pays for itself. "Because of the way we do economic development, it absolutely pays for itself," Rubald said. "Some states aim for retail or low-paying jobs, but it's hard to make that kind of program pay. We only consider primary jobs that pay hourly wages above the state average, which is currently $18.72. Last year, incentivized jobs [those at companies receiving funds from NCED] averaged more than $22 per hour." In order to attract high-paying jobs, economic development agencies have concentrated in the last several years on industries such as biotechnology, high-tech and manufacturing. Rubald pointed out that Nevada is the only state in the Union to post gains in manufacturing jobs over the last two years.

Economic diversification of Nevada is one of the major goals of the state's economic developers. Urban areas of the state are dependent on gaming and tourism, while many rural areas depend heavily on mining. "NCED's charge is to diversify from gaming and mining," said Rubald. "Although the percentage of people employed in the casino industry has gone down, it still employs tens of thousands. Because businesses are always cyclical, it's good to have variety. When one industry is up, another will be down and balance things out."

Western Nevada Takes a Two-Pronged Approach

In 2005, EDAWN sponsored a comprehensive economic development plan called Target2010, Northern Nevada's New Economy. The $250,000 project started with assessing the area's needs and assets by gathering research from focus groups and surveys, and moved on to a planned approach to future economic growth. The study concluded that the region would be best served by targeting six specific industries: business and financial services, software, clean energy, advanced manufacturing, advanced logistics and life sciences. All these industries would provide the high-wage, highly skilled jobs EDAWN wants to attract.

As a result of the study, the agency developed an action plan with a two-pronged approach, aiming not only to bring new companies to the Reno-Tahoe-Sparks area, but also to attract the workers those companies need. According to Chuck Alvey, president and CEO of EDAWN, workforce development is an important component of the agency's plan. In addition to helping local companies recruit employees from other states, the plan will take advantage of the numerous visitors who come to Northern Nevada. Billboards at Reno-Tahoe International Airport encourage visitors to consider working in a place where they already come to play, and EDAWN has set up a Web site, *MyNevadaDreamJob.com*, to provide information aimed at members of a

young demographic who might want to work near areas where they can enjoy mountain biking, skiing and other outdoor activities. Alvey said EDAWN is also investigating ways to provide employment opportunities for the large baby boomer population who already live in Northern Nevada. "Some of these people may have taken early retirement or are working as consultants. They could be a valuable resource for companies who need experienced help on a part-time basis," he explained.

NNDA Helps Both Urban and Rural Areas

Northern Nevada Development Authority (NNDA) includes not only the Carson City area, but also Douglas, Lyon and Storey counties, which contain rural towns with substantially different needs than their urban neighbors. In 2006, NNDA sponsored NorthernNVision, a strategic planning initiative for Northern Nevada aimed at getting rural areas to work together as a region for economic development. The initiative included surveys of individuals and businesses in the four counties within NNDA's service area, as well as Churchill, Mineral and Pershing counties.

The industries targeted in the project's report are similar to those detailed by EDAWN: light advanced manufacturing, clean energy and bioagriculture, business and technology services, logisitics and distribution, as well as regional health services. Unlike EDAWN, however, it also aims to attract tourism and hospitality to rural areas. As Ron Weisinger, executive director of NNDA, pointed out, tourism plays an important part in economic development in rural counties. Rather than diversifying away from tourism into other industries, rural Nevada is diversifying away from mining or farming and into tourism.

NNDA joined EDAWN and other local partners in developing a new brand that will be used to promote the entire region. "Greater Reno-Tahoe: Welcome to Can Do," announced in April 2007, will advertise in key metropolitan cities to inspire businesses, as well as skilled professionals, to consider relocating to the Reno-Tahoe-Carson area. This represents just one way economic development agencies cooperate to share resources. Another is the Chamber of Commerce Coordinating Council, which NNDA and others formed to bring together chambers in seven rural counties to share success stories and exchange ideas. The group proved so successful that it has since been joined by local development agencies, and even by the chambers of commerce from Reno and Sparks.

Economic Gold Rush Planned for Elko County

Elko County, like many rural parts of Nevada, is trying to expand beyond its historical dependence on the mining industry. Elaine Barkdull Spencer, executive director of the Elko County Economic Diversification Authority (ECEDA), said her agency recently began a two-year marketing program to attract businesses and workers. The "New Economic Gold Rush" campaign builds on the area's past as a center of gold mining, but points out the advantages in Elko County today for developers of retail, residential and industrial projects. It also touts investment opportunities and promotes workforce development.

Barkdull Spencer reported that several sites within Elko County are being developed as industrial parks, since the county is located at the crossroads of major east-west and north-south highways, has good rail access, available geothermal power and inexpensive land – an increasingly rare commodity in the urban areas of the West. "We're starting to get serious inquiries from builders, developers and manufacturers from Southern Nevada," she said. "They're just priced out of the market down there."

Construction will begin this month on the 60-acre Northeastern Nevada Regional Railport Industrial Park, a county-owned facility located just 4.5 miles from the city of Elko. Completion is scheduled for March 2008. Smaller industrial sites within the city limits are attractive to industrial developers because workers will have a shorter commute, said Barkdull Spencer. Also within Elko city limits is abandoned railroad land; currently, plans are being drafted to transfer this land to the city so it can be developed, as well. The small towns of Carlin, Wells and West Wendover also have acreage set aside for industrial parks.

Nevada Development Authority Targets Specific Industries

NDA is charged with attracting new businesses and helping existing businesses in Clark County. Somer Hollingsworth, NDA's president and CEO, said Southern Nevada has realized an economic impact of $5.2 billion from more than 22,000 jobs created through NDA's efforts in the last five years. Even though last year's numbers indicate a slowdown in activity, Hollingsworth said it was still a healthy year, and he pointed to the diverse types of companies moving to Southern Nevada as an indicator of the area's overall attractiveness. Seventeen of the new companies brought in during the last fiscal year were involved in manufacturing, seven were corporate headquarters and four were back-office operations, with the remainder divided among other categories.

NDA's annual budget ranges from $1.3 million to $1.6 million, chiefly from membership dues and fundraising. The 2005 Legislature granted NDA a windfall of $5.5 million, but the 2007 session cut that in half, with NDA due to receive only $2.75 million this biennium. "We're elated that we received what we did," said Hollingsworth. "The previous session was the first time we'd ever received that kind of funding."

Some of the state funding will undoubtedly be used for a new public relations campaign, but the theme has been kept secret pending its rollout. One of NDA's recent efforts targeted life science and biotech companies on the East Coast. Promotional materials included information about Southern Nevada's healthcare and technology institutions, including the Nevada Cancer Institute, Lou Ruvo Brain Institute, Sunrise Health System, Harry Reid Research Park and UNLV's supercomputing facility. "Research and development companies find Nevada's business-friendly atmosphere especially appealing," Hollingsworth said. Other campaigns were aimed at attracting California companies to move to Southern Nevada. According to Hollingsworth, 25 percent of the companies relocating here last year came from the Golden State.

Henderson Assists Local Businesses

Nevada's second-largest city promotes itself as "The Las Vegas Valley address for business success." Bob Cooper, manager of Henderson's Economic Development Division, said his team has been working on attracting new businesses in the following fields: colleges, medical, financial and back-office, traditional manufacturing and high-tech. Toward this goal, the city has already achieved significant accomplishments; it is now home to 12 private colleges, more than any other city in the state. The Southern Nevada Medical Industry Coalition, put together by Henderson officials, has united stakeholders who not only exchange information about their industry, but also help Cooper's team understand its unique needs, which in turn assists efforts to recruit other medical businesses to the city.

"We not only attract businesses from outside, but also help existing companies grow and succeed," said Cooper. The city's BusinessStar program was developed last year to provide free professional coaching services to local businesses with growth potential. In the small-business incubator program operated by the Henderson Chamber of Commerce, small businesses pay nominal fees to lease office space, and also receive access to financial counseling and advice from business professionals. The city's One-on-One Visitation Program was developed to open the lines of communication between Henderson businesses and city representatives. "Every week for more than seven years, we've gone out to visit local businesses and discuss their challenges and their plans for the future," said Cooper. "We ask if they need help or training. When we're done, they know they have a new friend, and they can us for help or advice. The foundation of our success is communication."

North Las Vegas Maintaining Relationships

North Las Vegas has a similar program to visit existing businesses, called the Business Retention and Expansion Program. Mike Majewski, director of economic development for the city, said, "Companies considering a move will almost always contact local businesses in their industry to get feedback. So, maintaining a good relationship with local companies not

only benefits them, it also helps our economic development efforts."

Because it offers available land at reasonable prices, North Las Vegas has a history of success in attracting industrial and distribution companies. However, Majewski said in recent years, the city has been branching out into other fields. Its Cheyenne Technology Corridor project has been so successful that land along the corridor has been almost totally absorbed by companies taking advantage of fiber access, proximity to government installations and access to major north-south freeways. Other projects underway in the city include a technology campus for UNLV and an acute-care hospital for the Veterans Administration, slated to open in 2011.

North Las Vegas also has an aggressive retail program aimed at keeping up with the city's rapid population growth. "North Las Vegas' growth rate is No. 1 in the U.S. for cities with populations above 100,000," Majewski said. "Through our retail program, we get the word out that there's a lot of potential here." One retail center, slated to open in the first quarter of 2008, a Hispanic-themed marketplace located in the older part of the city, is expected to attract customers from throughout the Las Vegas Valley.

Optimistic Outlook Prevails Across The State

Economic development agencies looking to recruit companies from other regions are naturally affected by the economies in those regions, as well as by national conditions. However, Nevada has traditionally weathered economic downturns better than most states, and its remarkably high growth rate provides a buffer against slowdowns. Economic development agencies across the state are planning new recruiting programs tailored to constantly changing circumstances, and will continue to assist local companies wanting to expand. As Hollingsworth of NDA recently insisted, "I refuse to use the national economy as an excuse. Great things are happening here."

Kathleen Foley is a freelance writer based in Southern Nevada.

Regional Authorities*

Development Authority	Initials	Area Served
Churchill Economic Development Authority	CEDA	Churchill County
Economic Development Authority of Western Nevada	EDAWN	Washoe County
Economic Development Authority of Esmeralda/Nye	EDEN	Esmeralda and Nye counties
Elko County Economic Diversification Authority	ECEDA	Elko County
Eureka County Economic Development Program	ECEDP	Eureka County
Humboldt Development Authority	HDA	Humboldt County
Lander Economic Development Authority	LEDA	Lander County
Lincoln County Regional Development Authority	LCRDA	Lincoln County
Mineral County Economic Development Authority	MCEDA	Mineral County
Nevada Development Authority	NDA	Clark County
Northern Nevada Development Authority	NNDA	Carson City, Douglas, Lyon and Storey counties
Pershing County Economic Development Authority	PCEDA	Pershing County
White Pine Economic Diversification Council	WPEDC	White Pine County

*Does not include individual city economic development departments.

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Dealing with Staffing Issues

Nevada Employers Struggle with Labor Shortage

When you ask movers and shakers in Nevada what their greatest challenges are, virtually all of them say that staffing and employment issues continue to cause their biggest headaches. Despite the state's steady growth in population (6,000 new residents claim Clark County as their home every month), the pool of potential employees is either inadequate in number or qualification to fill all the available jobs.

Some years ago, many businesses enjoyed an employers' labor market with more employees in the field than jobs. The reverse is true today, however, as employers find it's an employees' market with a scarcity of qualified applicants almost across the board. "In Las Vegas – in general for all industries – it's much more challenging to find qualified employees," explained Doug Beckley, CEO of The Beckley Group, a management consulting and business training company based in Las Vegas. Cornelius Eason, president and owner of Priority Staffing in Las Vegas, agrees. "The biggest challenge is finding people who are capable candidates," he said.

One of the hardest hit industries is healthcare, which suffers critical shortages nationwide in licensed professional staffing, such as nurses, radiology technicians and pharmacists. This scarcity is expected to intensify in the coming years as baby boomers age and the demand for services increases.

Nevada's need is an especially acute need, according to Stuart Thompson, vice president of human resources at Sunrise Hospital & Medical Center. "Nevada is 47 out of the 50 states in counting nurses per capita," he said. Thompson finds it extremely difficult to recruit locally for a staffing requirement of around 3,000 employees. "There's such a huge demand but not enough resources for the education system to keep up," he explained. Because local schools are unable to provide enough qualified job applicants, Thompson is forced to look elsewhere for potential employees. "We really try to reach out to California and to the East Coast," he said. "About 60 percent [of applicants] come from places other than Las Vegas." Relocation packages help to sweeten the pot although the high cost of housing (compared to many locations), along with noncompetitive wages, makes recruiting even harder.

Attracting a pharmacist to work in a hospital is especially difficult, according to Thompson. "We're competing with retail employers so a lot of them [pharmacists] will apply for positions there because it's more money," he said.

Demand for Nurses Likely to Continue

The result of a multiplicity of factors, the shortage of nurses is likely to be an issue for some time to come, according to the American Association of Colleges of Nursing (AACN). These factors include:

- Insufficient enrollment in nursing schools.
- Shortage of nursing school faculty.
- Slow growing RN population.
- Increased demand for nursing services.
- Job burnout and high turnover.

Although nursing school enrollment increased more than 7 percent from 2005 to 2006, the number of nurses graduating each year falls far short of the number needed to meet the demand in the labor market. The AACN estimates that schools need to turn out 90 percent more RNs in each graduating class to even make a dent in the demand for their services. One of the biggest reasons enrollment is not increasing is the shortage of qualified personnel in the schools. According to the AACN, U.S. nursing

schools rejected more than 40,000 qualified applicants to degree programs last year because the schools lacked the resources to include them. With school enrollments stagnating, the growth in the total population of RNs in the country has slowed. In the 1990s the nursing population grew at around 14 percent per year, but by the 2000s, the growth had dipped to about 8 percent annually.

As the country's population ages, the dearth of qualified healthcare professionals will become ever more critical. The ratio of caregivers to the elderly in need of care is expected to decrease by 40 percent between 2010 and 2030. Rounding out the shortage factors is the challenge of retaining nurses currently employed in the field, particularly in hospitals, who are suffering burnout because of staff shortages and high stress. More than 40 percent of hospital nurses say they are dissatisfied with their jobs, according to a study reported in *Health Affairs* magazine.

The most obvious solution to the shortage is to increase the accessibility to training, according to Thompson. "I'd like to see more educational opportunities for anyone seeking a career in the health care profession," he said. Under the right circumstances he believes that most healthcare jobs provide great career opportunities with meaningful responsibilities and good financial compensation along with respect from peers and the community at large.

To increase educational opportunities and to attract more students, these strategies have been found to be productive:

- Professionally promote and advertise nursing programs.
- Improve financial aid.
- Increase and improve distance-learning programs accessible through the Internet.
- Educate young people about the rewards and benefits possible through a wide range of healthcare careers.
- Develop strategic partnerships with local businesses and non-profit organizations.

Banking Industry Struggles with Staffing Issues

As a customer service-oriented business, the banking industry is also having a tough time filling its ranks with the right people, according to Stan Wilmoth, president and CEO of Heritage Bank in Reno. Although he said he can't control the economy, Wilmoth maintains he can control the quality of service his customer experiences at the bank's five Reno branches.

Because experience has taught many young bank customers to lower their expectations for the quality and outcome of any banking interaction, selecting the right employees and training them to properly interact with clientele is even more critical. "We're looking for a certain type of individual who can to be trained to help our clients make important banking decisions," he explained. "Unfortunately, attrition is high."

Nevertheless, training is paramount because not even college graduates can be assumed to have the general knowledge and skills for entry-level positions; neither-do they possess the dedication to provide the expected degree of customer service. Consequently, small banks such as Heritage now rely upon internal training programs to bring new hires up to speed. In the not so distant past, large corporate banks routinely schooled new recruits through highly sophisticated and costly training programs. Small banks reaped the benefits of this policy whenever a pre-trained corporate bank employee joined the staff of a smaller institution.

However, in today's fiercely competitive banking environment, many of those corporate training programs have fallen by the wayside as large financial institutions reorganized and streamlined their operations. "The centralization of decision-making in big banks removes the option for local staff to make those decisions on behalf of their clients, or in response to local market conditions," Wilmoth explained, "As a result, big banks are becoming more impersonal and less responsive, especially with regards to small clients and businesses targeted by niche banks."

Recently aware that many "personal bankers" are merely an 800 number in the telephone book, Heritage goes out on a limb to be accessible to its customers. "If you treat people the way you expect to be treated, you can't go too far astray," Wilmoth explained. Keeping employees happy paves the way to customer satisfaction. For example, at Heritage, corporate stock options are offered to all of its workers. "When you allow people to be an owner, they act like an owner," Wilmoth said. Although it's difficult to find potential employees with just the right stuff, Heritage rises to the challenge with fastidious recruiting, diligent training and consistent measures to retain those who make the grade.

Employment Woes Ripple Through the Construction Industry

In accommodating the frenetic pace set by statewide growth, Nevada's contractors are repeatedly compelled to find creative ways to resolve perennial staffing deficits, according to Erin Riccio, director of development sales and leasing for The Ribeiro Companies in Reno. "During the last three years, so much construction activity was in progress across the board, that potential recruits who showed up at a job site were often hired on the spot," she said. Even with the current decline in construction activity, which the 45-year-old company expects to last for another 24 months, a reciprocal

increase in the availability of qualified workers has yet to occur. "Quality laborers are hard to come by, even though we're seeing a plethora of résumé submissions," she said. The construction slump has rippled from the residential to the commercial, originating with the sub-prime mortgage meltdown, and magnified by the fact that fewer businesses are electing to relocate to Northern Nevada. "Our core problem exists in our inability to guarantee access to a qualified labor pool for companies seeking to establish a presence in Nevada," Riccio explained.

Moreover, the labor pool suffers further evaporation when, as a consequence of Nevada's skyrocket housing cost, fewer potential employees can afford to live here. "For those making $10 to $18 an hour, where are they going to live?" she asked. One potential solution, according to Riccio, might include offering state-funded subsidies or tax incentives to residential developers to, perhaps, facilitate the conception of planned communities comprising.

Because the construction industry possesses a long history that emphasizes its ability to successfully weather the economic ups and downs, the Ribeiro Companies' executives remain bullish on the future. "Nevada's construction industry, as well as our company, both remain very strong," Riccio said. With its current staff of more than 120 employees, the Ribeiro Companies emphasized a team environment and offers a proactive continuing-education program, which has built loyalty and promoted bonding among members of the workforce. "There's a constant synergy connecting our five companies," Riccio explained. "We work as a team."

Although Eason's temp staffing business is going strong with growth of around 25 percent expected this year, he said he finds it increasingly difficult to find capable candidates for the administrative, professional, accounting and special events positions he needs to fill for his clients. "Applicants today are less skilled and have different attitudes about employment than in generations past," he explained. Like Wilmoth, he finds it necessary to train newly hired customer service recruits because so few of the candidates possess the necessary skills.

The tight hiring market is evidenced by the fact that around 10 percent of his corporate clients are now using his service to directly recruit permanent employees. As he constantly searches for qualified workers, Eason expresses frustration that the overpriced housing market repeatedly thwarts his effort to locate suitable job applicants. "As a community we still have to figure out how to provide affordable housing," he said.

In consulting with his clients who represent businesses such as

healthcare, manufacturing, gaming and retail, Beckley also confronts the problem of customer service. "The biggest challenge exists in industries that need people to deal directly with customers. They [employees] might possess the technical skills, but lack any interpersonal skills," he said. To improve the hiring process, he advises his clients to devote more time and resources to attract a larger pool of candidates, and to be very selective, even if it takes more time and money. To increase employee retention, he emphasizes increasing the financial compensation, when possible, and improving the benefits package. "It's more important to focus on creating a work environment where people enjoy their jobs. Employees should be truly happy, and feel that they are making a contribution to the company," he said.

Although the unemployment rate in Nevada remained below the national average for a number of years, it was equal to it this summer when the rate inched up to 4.6 percent, according to the Nevada Department of Employment, Training and Rehabilitation (DETR). The up tick was caused, to a large degree, by the loss of 5,200 construction jobs due to the slump in the housing industry.

Another contributing factor was the slowdown in job growth to only 1.7 percent over the past year, which is the lowest growth rate since 2002. Even so, economists point to Nevada's steady economic expansion, a healthy mining industry and future major projects, such as The Palazzo Casino and Resort, Encore at Wynn Las Vegas, Project CityCenter and Echelon Place, as indications that the job market will become stronger in the coming months.

For employers looking to fill job openings, however, the problem still remains – however, not without potential solutions, as business leaders suggest taking the following actions:

- Improve educational opportunities in Nevada for needed job skills.
- Concentrate on developing a quality internal workforce.
- Develop strategies to enable the construction of affordable housing.
- Market Nevada as a family-friendly state to attract community-oriented workers.
- Encourage psychologically healthy workplaces that increase employee retention.

Employers agree they need to be responsible and proactive in bringing about the positive changes required to improve the difficult hiring situation in the state. "The inability to attract the right people is a symptom of a larger overall problem," Beckley said.

Jeanne Lauf Walpole is a freelance writer based in Northern Nevada.

NEVADA BUSINESS JOURNAL

Industry Focus

Residential Brokers

FROM LEFT TO RIGHT:

Honey Borla, ERA Town & Country Real Estate
Sue Naumann, Tsunami Properties, Inc.
Fred Trujillo, Turnberry West Realty, Inc.
Joan Brooks, Keller Williams Market Place
Myrna Kingham, Tower Realty Group
Andy Maline, One Cap Realty
Rob Jenson, ReMax Central
Stephen Redman, Windermere Anthem Hills
Paul Bell, III, Prudential Americana Group

Recently, industry experts sat down at Cili Restaurant in Las Vegas to discuss Nevada's residential real estate market, including loans, the housing market, media impact, workforce issues and competition. Connie Brennan, publisher of *Nevada Business Journal*, served as moderator for the event which as part of the NBJ's monthly Industry Focus series, brings industry leaders together to discuss issues pertinent to their professions. Following is a condensed version of the roundtable discussion.

Challenges in Residential Real Estate

Andy Maline: One of our biggest challenges is educating the buyer about our market because the information that's out there is not accurate.

Honey Borla: The information reported by the media is my biggest concern – it's extremely skewed. Many times, this information doesn't even come close to actual fact. We need to teach the general public – be it buyer or seller – that accurate information doesn't come from a generalized public Web site.

Fred Trujillo: One of the hurdles that I have encountered is the process of educating the buyer. We need to convinvce the buyer that the sluggish market cycle will resolve itself in due time. Most of my buyers are very astute and they understand that when investing in the stock market – there are wins and losses. The same thing takes place in the real estate industry.

Paul Bell: A major concern is the negativity being projected in the media. We have experienced this in the past, when many buyers waited, thinking prices would go down however, the opposite happened.

Myrna Kingham: I think educating the buyers right now is one of the biggest challenges. They feel if they wait six months to a year, the market's going to be better for them. And, quite honestly, the market is really great right now for buyers. It used to be, that you couldn't get a loan unless you paid points, and those ran from six to 12 points, depending on your credit. Currently, we're returning to a normal, stabilized market, where sub-prime lenders aren't out there distorting numbers.

Rob Jensen: I agree, we need to educate the buyers. The market is obviously a little slow, but we have seen some fairly good activity in sales. I think there's going to be a lot of opportunities. I have clients from Los Angeles who keep buying property because they see this market as the next Los Angeles.

Stephen Redman: If I had to pinpoint one problem that is going to grow in the next 12 months, it is the loss of affordable products. We are facing a cycle in the midst of a downturn, in addition to a mortgage industry meltdown. It is going to take a lot of work to get through it.

Sue Naumann: I think there's good news and bad news about the Las Vegas market. The good news is, that we have a lot of inventory, and the bad news, is we have a lot of inventory. It depends on which side of the fence you're on – buyer or a seller. With the sub-prime loans going away, now is the perfect time for investors to increase their rental properties. The problem in our industry is the frenzy that the speculators have created. Speculators want to make a quick buck and move on, but real estate is a long-term investment just like the stock market.

Joan Brooks: As recently as last year, we were very concerned about affordable housing in Las Vegas. Today, you can purchase a nice home for $200,000 to $250,000 that is not in foreclosure. However, the struggles that mortgage companies have been going through, we have a problem getting great programs for first-time home buyers. They're tightening up on the standards of mortgage lending – which is probably a good thing – but they're going to have to rethink it because it seems that the pendulum is swinging in the other direction now.

The Media's Role

Redman: I don't believe the media understand how the market cycles work. If they did, they would realize this is a natural thing, and the see glass is half-full. We may be looking at the same numbers, but they're putting a negative spin on it.

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Maline: I can't find where they are getting their information, but I know where we get our numbers and the reports are vastly different than what the media are reporting.

Redman: The media just don't understand that business has normal cycles. If they focused on that, they would realize that this is a prime opportunity to take advantage of reasonable loans.

Borla: The market we experienced for the past two years was not a normal market – it was fueled by new home shortages. We were told that they could not obtain enough permits, or build enough homes to satisfy the immediate demand. Buyers were put on waiting lists, and told they needed to bid competitively on properties. I feel an artificial urgency was created, which also made sellers afraid they would have no place to live if they sold their homes.

Naumann: Well, it resulted in a feeding frenzy. When I first came to this market, residential development phases each comprised about 40 homes. Incrementally, between each phase released, the price would increase. Builders decided to create this market frenzy - artificially increasing demand by reducing the number of units released in each phase to about 10 homes. The market became so competitive that buyers moved into the resale market. If someone purchased a home right before the big resale boom that we had a couple of years ago, they may have paid $300,000, and watched the property's value jump to $500,000 as a result of the unusual market conditions. Today, they believe those residential appreciation rates continue, and think their property should now be worth $700,000, when, in essence, it has not risen past $500,000. Rather than acknowledging their $200,000 gain, they perceive the situation as a loss.

Housing Costs

Is the price of homes still going down?

Maline: It depends on what information you read. Statewide – at the end of the first quarter – home sales were still up 6 percent and Southern Nevada was up 17 percent –based on median price. These percentages also reflect more people moving here with stronger and better incomes.

Redman: Overall, the Valley's home prices are not going down, but certain pockets of the market have decreasing costs. For example, Aliante and Southern Highlands have certain areas where prices are declining. If you averaged in the whole Valley, we are close to breaking even. You also have to factor in that people are overpricing their homes so everybody is complaining they had to drop their price by $100,000. So if the property

was overpriced to begin with, and was reduced by $100,000, did the seller really lose $100,000?

Jensen: I agree with you. GLVAR (Greater Las Vegas Association of Realtors) statistics show the average sale price is still about $300,000, give or take. There were probably half as many sales, and prices have gone down, but the market is stabilizing.

Borla: The home values are not really going down. Anything under $300,000 is still turning. That market is moving comfortably – it's the in-between market that has lagged.

Mortgage Industry Issues

How have issues in the mortgage industry affected residential sales?

Redman: It's a tremendous problem. The biggest challenge with the jump in foreclosures, it often generates new set of comps. We need some type of reasonability to come into play with underwriters who won't use 10 foreclosures or comps on a person's home who transferred to another market. Once you have a comp from a foreclosure, it becomes a part of the equation for another person who buys or sells a home.

Borla: I recently comped three condos. One sold for $146,000 and the other two went back to the bank with loan amounts of $100,000 and $106,000. That's definitely going to affect anything else coming into the market.

Redman: And, the secondary market gaps and closes at $470,000. Anything that goes over that, we call a jumbo loan. Wall Street is no longer interested in jumbo loans, and if these types of loans are out there, they're priced at almost 12 percent interest on a jumbo loan – with 20 percent down. Wall Street right now is just freezing the credit markets because there's so many different ways for the ball to bounce, and that's going to hurt us for awhile.

Naumann: Before sub-prime loans became the way to buy property for entry-level buyers – if you wanted to buy a house – you had to have money down, good credit, or you weren't eligible. So all of a sudden, it's a crime that somebody can't buy a house if their credit is trashed or they have no money. Eighty/Twenty loans required a minimum of 20 percent down – anything less than that and homebuyers' monthly payments were increased significantly. The market is coming back to normal – where you have to have funds to qualify to buy a house.

Redman: I think it's good for the communities because homebuyers have a vested interest in their property.

Borla: A number of years ago, the federal government came out and said it

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wanted to see everybody in this country own a home. There were all types of programs out there to accommodate the first-time homebuyers. Keep in mind, many of these properties are now going into foreclosure.

Lending Ethics

Should lenders be regulated?

Brooks: The problem is mortgage lenders aren't regulated. In the best of times, when so many homes were on the market and selling, lenders were putting loans together for their clients at much higher rates to get them in a house. Now, what do you think has happened to those people today? They have gone into foreclosure and those are the people who couldn't afford to go into foreclosure. They scraped the money together to get the loan in the first place, and the lenders did as they pleased, charging those clients whatever they wanted to get the loan done. And they got away with it. The biggest crisis across the country is that lenders are not regulated.

Maline: Lenders arbitrarily switch the terms on the loans. Then they have a mark-up and can't find a property because it's percolating so much, but sign the papers because they don't have much of a choice. They brought that upon themselves.

Redman: We have to keep in mind there are several different types of lenders. There are bankers, who are heavily regulated, and brokers, who are likely to be regulated. But you don't want to give them all the work, because they take advantage of it.

Brooks: There should be a standard similar to the standards that govern every other type of business. This business is very important to the American economy and to homeowners. Washington should understand the need for regulation. We don't need banks in the real estate industry.

Borla: Washington understands that. The problem seems to be every time Washington tries to regulate the industry, lenders say if you tie their hands, there won't be any money available to lend. That's the threat they have used for years. The bottom line is that any individual can take the test and be regulated, however brokers must be licensed, but their loan officers do not.

Brooks: Loan officers aren't held responsible at all if anything happens.

Borla: They don't have to pay any taxes, either.

Jensen: Well, the loan problem happened when Silver State Mortgage closed their doors. In a cash-back deal, several properties sat on the market for a year. They were originally appraised at $500,000, but sold for just $400,000. Silver State came in giving them $500,000, and took $100,000 of it back.

Redman: But let's not put this all on the lending institutions as totally running amuck, because they have improved greatly compared to two or three years ago. We actually have a commissioner, now, who monitors mortgages. To say that lenders operate without guidelines or rules isn't quite accurate. We don't want to put all our problems onto their shoulders.

Maline: But who is enforcing it?

Brooks: There are still lenders out there offering homeowners $100,000 for a loan.

Bell: We have been seeing a real difference between the investors. Well, for example, at a recent Seven Hills closing, a seller paid $10,000 for the buyer's closing costs. The loan officer had to go to the second lender because the first lender had used appraisals from prior experiences to calculate their decision. Whereas the second lender said, as long as the buyer is putting 20 percent down, and the seller is contributing $10,000 to closing, they're very comfortable with this type of loan. Investors might have these loans that will be the key to a market rebound.

Redman: The real need for change is

in the criteria differentiating primary loans from investment loans. There should be a different set of rules for somebody that wants 40 investment properties – that's a problem waiting to happen.

Borla: But there aren't enough guidelines and we've all seen it – where these investors want to get under similar guidelines as homebuyers.

Maline: The buyers should buy a house because they want a house to live in. When they start looking at it as an investment, an investment risk becomes involved. If you're buying as an investment, you need to understand it's just like playing the stock market. More than 60 percent of sellers who have closed escrow on their listings have participated in the buyer's closing costs. That's huge.

Broker Education

Educational requirements for residential real estate brokers

Brooks: The Nevada Real Estate Division (NRED) has been talking about increasing the number of educational credits required as well as raising the number of training hours needed to become licensed. This way, undesirable people will be weeded out. Our dues have also increased, so it's not inexpensive for people to get in and do this part-time. I think we have made it too easy for people to get certified. We know when we have an individual with the potential to be a good Realtor, so we train him or her in-house.

Naumann: The state has now mandated that licenses for first-time licenses are only valid for one year, after which, the renewal period occurs biannually. Once licensed, you must also compile 30 hours of continuing education that follows certain modules. There's new blood out there and they're great. Sometimes a part-time agent is more focused and more productive than someone who sits and collects coffee cups. There are different types of people now with different motives. It's a very flexible profession, however, you can't be a "secret agent" in this business. The educational requirements, as well as continuing education requirements, have increased.

Affordable Housing

Brooks: We have great homes on the market, as well as great interest rates right now. Those are two strong positives that people don't see. If you look back, interest rates were at 14 percent to 15 percent and housing prices were low, people couldn't afford the interest rates. Now we've got great interest rates and affordable homes for sale in the $250,000 to $350,000 price range. Moreover, many condos are for sale in the $100,000 to $150,000 price range because people are dropping their prices. There is attainable housing and great interest rates.

Naumann: Well, I would love to live in a $3 million or $4 million house, but I can't afford that. It should be called attainable housing or workforce housing, because the Las Vegas area has a huge workforce. We're working on a program specifically for workforce housing, and are getting employers involved to help with employee retention programs that might offer employee incentives to help defray housing costs.

Brooks: We definitely have a strong inventory.

Moving Forward

Redman: I think it will be less of a buyer's market. The cycle is going to start turning the other way.

Maline: In the next year, a number of homes will be put up for sale. Homebuilders are purposely withdrawing and not releasing as many units per month. They are waiting for the MLS inventory to decline, which means buyers are going to have to consider the resale market – which will improve our situation in sales.

Jensen: I think it's still going to be a buyer's market and buyers will have many options to choose from.

Brooks: Real estate has been around a long time, and it's not going to correct itself in a year. I don't think we're going to see anything dramatic happening in the next year – things will start to level off. It's going to take us two good years to get back. We have a year's worth of new home inventory out there right now, and it's growing every day. It will still be a buyer's market, and I think we'll also have great rates. But people are going to continue to be cautious because we are still on the downswing. It's cyclical- the market will stay low, like it is now, for a while.

Naumann: I disagree. I think if we aren't at the bottom, we are pretty close. It's just like the stock market, nobody knows how low it's going to go or for how long.

Borla: What will determine how our market will look like in the next two years is the percentage of adjustable rate mortgages (ARMs) causing the foreclosures in this industry. That's what you have to consider.

Trujillo: I think it will be determined by employment. A healthy economy is driven by an employment-based economy. Fortunately, our employment-based economy is expanding. It's the growth of certain external influences that can stifle the economy. You can point to builders. You could point to the lenders. You can point to a lot of different people. Regardless, we just have to wait for the cycle to finish and start over.

NEVADA BUSINESS JOURNAL

Building Nevada

Investing In Today's Real Estate Market

Bill Oakley and other industry experts offer advice on the real estate investment game.

THE REAL ESTATE MARKET

AN INVESTMENT OR BUST?

Investing in real estate is one way to for people to diversify their financial portfolios. Yet, problems plaguing the mortgage lending industry, coupled with the housing market slowdown, have put big question marks on the prospect. "People are more reluctant to invest because they're nervous about what's going on with real estate values," said David Goldwater, founder and president of Goldwater Capital LLC, a Las Vegas-based private money lender.

In reality, solid opportunities to invest in Nevada real estate exist, experts said. The state is predicted to be fastest-growing over the next 25 years in terms of population, according to a U.S. Census Bureau report entitled "Projected 2030, State Population and Change: 2000 to 2030." Population growth means more jobs, better demographics and greater income levels, Goldwater added. "What's really important is to be as knowledgeable as you can about the market and understand that every investment is about risk, return and liquidity, and that those things have to be balanced," said Jeremy Aguero, principal analyst with Las Vegas-based Applied Analysis, an economic, fiscal and market research firm.

Southern Nevada's Commercial Market

Southern Nevada's commercial real estate market is strong overall, according to industry experts. "If you're looking at activity and absorption, you have to be impressed by about every segment of the market," Aguero said. "More office, retail and industrial is planned or under construction than at any time in our history."

"More people are borrowing money for commercial projects – retail and industrial in particular – because that is where the demand is," Goldwater said. "So people want to build to satisfy it." Also, more money is available for those types of projects, and funding is easier to obtain at the larger lending institutions, he added.

Goldwater believes retail is also in high demand. Two emerging high-demand areas, he suggests, are North Las Vegas and the southwest Las Vegas Valley. "You remember last year how everyone wanted to turn retail into single-family housing? Now they want to go the other way around," Goldwater said.

Experts recommend investing in income-producing industrial developments and multi-tenant projects that have tenants with good credit. "Regarding industrial, if you can find the land, you need to build it," Aguero said.

The apartment development market will be a solid investment in the near future because so much of the apartment inventory was replaced with condominium conversions, said Mark Daigle, chief executive officer of the Nevada region for Colonial Bank, which provides all types of lending. In addition, the proposed 40,000 hotel rooms for Las Vegas will boost the need for apartments. "We're looking at continued declines in vacancy rates and significant increases in rental rates," Aguero said.

Investing in office products is not recommended at this time, as vacancies were up (33.9 percent), and construction and employment in the office sector were down at the second quarter's end, according to Colliers. Office condos, a for-sale product, had flooded the market.

Southern Nevada's commercial market isn't expected to change drastically in the next few years, but could experience a lull as residential inventory gets absorbed. "There is lots of space coming online, and it will be pretty tough to be able to absorb it," Aguero said. "The vacancy rate will escalate through the end of 2007. That will make things a little softer."

Northern Nevada's Commercial Market

The Northern Nevada commercial real estate market is evenly balanced, with all segments doing well. Industrial is steady, with good demand. The vacancy rate was 7.6 percent at June's end, according to Colliers International's Reno market research.

"We're seeing some good growth," said Harvey Fennell, commercial department head for Dickson Realty – a residential and commercial real estate brokerage in Northern Nevada. A lot of retail has been built in the past year

but not in excess, and customers exist for those new centers. The vacancy rate at the end of 2006 was 8.23 percent, Colliers' statistics showed.

In terms of office products, some pockets of oversupply exist, such as in the South Meadows area, south of Reno, whereas some areas, such as Spanish Springs, north of Sparks, are short, Fennell said. Vacancies as of June's end were 12.9 percent, according to Colliers. "It's not severely overbuilt," he said. "Vacancies can jump up and go back down again as things absorb."

Multi-family housing is solid and likely will remain into 2008 and 2009. People who might have moved into single-family units and now can't afford them will be in the apartment market, Fennell said. In addition, the single-family houses that have been up for rent will disappear as people sell them. "Consequently, we'll see vacancies in apartments start to decline," Fennell said. "That will be a very strong segment. We'll probably see some upward pressures on rents as apartment vacancies fall." The large number of condominiums coming on the market, however, could affect the apartment rental market, depending on condo prices. If people can afford to use their rent monies to buy a condo, apartment vacancies could increase.

Over the next few years, commercial real estate will remain a viable, steady market, Fennell predicted.

Pros and Cons of the Commercial Market

When purchasing a commercial property, Fennell recommends making it a long term investment. The advantages can include a reasonable rate of return in the short-term, appreciation over the long-term, along with a tax benefit. "This doesn't necessarily happen with residential investments," Fennell said. "However, most commercial property investors do really well if they hold [their investment] long enough – about five to 20 years." Unlike with residential real estate transactions, less emotionalism is involved in business-to-business commercial deals. It isn't hard to get into the commercial real estate market, nor does it require mass quantities of capital. "The market makes a wide selection of reasonably priced, smaller, investment properties available for purchase," Fennell said.

To avoid these hazards, view the purchase of any commercial property as a long-term investment, rather than something you're going to flip out of in a hurry, Aguero advised. "It's a long-term play right now," he said. "It's hitting singles and doubles in anticipation of a home run, not swinging for the fences on a big deal." Avoid areas that have poor infrastructure and where significant cash flow is required to make them work, Aguero recommended.

The Land Market

"It's [Southern Nevada] a little bit risky at the moment," Aguero said. "The price of land has escalated from $200,000 an acre to $700,000 an acre in the last two years."

It's a difficult time to evaluate projects such as raw land development, Daigle said. If your projected timing is short and you're carrying debt, the unanticipated money you're paying quickly eats into your expected project return.

Currently, land demand is low. Homebuilders are continuing to sell-off acreage they bought over the last two years. "It's a situation where they're being forced to sell undeveloped land off their balance sheets," said Bill Oakley, First National Bank of Nevada's Southern Nevada regional market president.

Similarly, demand for raw land in Northern Nevada is minimal as a result of the downturn in residential homebuilding, builders halted all land purchases. In addition, many of the projects that were underway have either been sold or put on hold.

"Certainly there is a long-term shortage of developable property, particularly in the Las Vegas Valley, so at least for the immediate future, there is probably an oversupply," said Fennell.

Southern Nevada's Residential Market

Residential housing in Southern Nevada is overbuilt, with lots of inventory that needs to be consumed and very little is currently under construction. Permits are down substantially for new homes, Oakley said. The region is experiencing an all-

time high in existing homes. Nearly 27,000 units were up for sale as of mid-August.

"We have too many houses that were bought by investors," Oakley added. "If you drive through the neighborhoods, you'll see houses that have been owned for two to three years and never lived in, with for sale and for rent signs. When the market got hot, it became overheated."

It's a buyer's market. People looking to purchase a home to live in, not to flip, should move forward. "If you are a qualified buyer, can obtain conventional financing and don't have to over-leverage yourself to get into a property, there's nothing wrong with buying at this time," Daigle said.

Experts suggest opting for a more generic home, something in the middle of the block and not the most expensive. Purchase a home that's within your means and ensure you can make payments on it without relying on lease income. Factor in the additional costs, such as utilities, repairs, maintenance, insurance and property taxes, Daigle advised.

Foreclosures on brand new homes in good locations present good opportunities. Nevada had the highest foreclosure rate (1 in every 175 households) in the country as of June 2007, according to RealtyTrac, publisher of the "Monthly U.S. Foreclosure Market Report." The preponderance of those foreclosures was in Southern Nevada. It is important to understand what's going on in the market and neighborhoods around you, in terms of foreclosure activity which can have an impact on the value of your property the near term.

It likely will be 18 to 24 months before the residential inventory drops back down to a reasonable, four- to six-month level, Oakley predicted. The proposed Strip projects – Echelon Place Resorts, CityCenter and more – should bring more workers to

the area and help absorb the residential inventory.

"They'll be buying and renting houses, and possibly pushing markets a little further away, like Pahrump and Mesquite. Plus a number of new markets, not yet on the drawing board, will likely be established somewhere in between the Las Vegas Valley and the outlying communities," he said.

Northern Nevada's Residential Market

In terms of residential real estate, Northern Nevada, too, is experiencing a buyer's market, with a large quantity of existing inventory currently available. Paradoxically, as recent as 2004, the region sustained a seller's market so extreme, fewer than 500 properties were available.

"In some parts of the market, we saw upwards of a 32 percent appreciation," said Nancy Fennell, president and co-owner of Dickson Realty.

However, with conditions now firmly in favor of the buyer, new homes led the market in terms of granting concessions and incentives to buy. Purchase incentives offered by homebuilders were diverse and creative, and included instances where the seller prepaid up to two years with of the new home's association dues, or two years worth of mortgage insurance premiums. In some cases, sellers absorbed the lot premiums, while others offered free upgrades worth up to $70,000.

The market will adjust over about the next 18 months, and inventory will come down, Fennell predicted. "I think people are confused about the gloom and doom of the housing slump," she said. "It is a short-term problem. We're going to go into a rebalancing act. For many years, we had a 3 percent to 5 percent annual appreciation. We'll return to that." And lenders are currently leading the way toward establishing a fair market value as they divest themselves of foreclosed-upon properties.

Pros and Cons of the Residential Market

One advantage to investing in residential real estate is that one can always sell a house. You might not get the amount you want, but you can always lower the price and sell should you want to get out, Oakley said.

Buying a home ensures that you'll have more control over what you'll pay and an incredible range of options from which to select from which to select. "In the 20 years I've been in this business [in Northern Nevada], I've never seen the kind of variety, diversity or amount of inventory available for a buyer to choose from," Fennell said. Interest rates remain low – anywhere from 6 percent to 7 percent on a jumbo loan, and lenders still have money to lend.

This is not the time, however, to purchase and flip a home. "We're going back to where residential real estate represents a component of your overall portfolio as a minimum three- to five-year investment," Fennell said. "If you're looking for a short-term investment, I think you should look elsewhere. You need to be a little more careful and make sure the basics that create value are in place – location, condition, construction and architectural style," she said.

Financing Issues

While two years ago, buyers could choose from an amazing array of exotic loan products that were available through a huge selection of mortgage brokers that no longer is the case. Today, there is less liquidity and available credit, making loans more difficult to get. This has greatly narrowed the margin for error among borrowers. "What's different relative to a year ago was if you were off or if you left a little margin for error, that was okay because there was always an alternative form of financing or a way to buy a little bit of time," Goldwater said.

The issue of financing will remain a problem over the next couple of years, Harvey Fennell predicted. "It probably will be the summer of 2008 before things calm down," he added. "And it could get worse. The markets are really unsettled."

Consequently, borrowers likely will have to put more money down and, undoubtedly, have to be much more cautious. "You have to be a prudent

borrower with an exit strategy, have realistic assumptions based on time and know the market conditions when you approach a loan," Goldwater added. Don't get optimistic about potential rent increases, and be careful with variable-rate loans, advised Harvey Fennell.

Other Investments

Another way to invest in the real estate market is to invest in others' real estate debt - that of developers, for example. "If you're nervous about the real estate market, real estate debt at this time is something that can take your risk profile down while giving you some exposure to real estate," Goldwater said. "To ignore real estate debt [as a potential investment] I think is a mistake."

Real estate debt is available through deeds of trust and other instruments, such as private funds and mortgage-backed securities. Deeds of trust are deal-by-deal investments. You know what specific piece of land it is you've invested in. You can secure your investment on the actual real estate, an advantage in today's market, Goldwater added. You can charge more interest, 13 percent to 14 percent on first trustee. "The worst case scenario is you get a very cheap piece of land back," he said. "The best case scenario: You end up earning 13 percent on the whole transaction."

REITs (Real Estate Investment Trusts) work differently than first-trustee investments, but are another way to invest in commercial and residential real estate business. A REIT is a company that owns, and most often operates, income-producing real estate such as apartments, shopping centers, offices, hotels and warehouses. Some REITs also engage in financing real estate. The shares of many REITs are freely traded. Hundreds of different types of REITs exist, so do your homework before selecting one in which to invest.

REITs are classified in one of three categories including equity, mortgage or hybrid. Equity REITs are primarily real estate operating companies that engage in a range of real estate activities – they own and operate income-producing real estate. Mortgage REITs extend credit directly through the acquisition of loans or mortgage-backed securities. Hybrid REITs owns properties and extends loans to real estate owners and operators. Including REITs in an investment program helps build a diversified portfolio.

Doresa Banning is a freelance writer based in Northern Nevada.

LaPour Corporate Center

Second Phase of Tahoe Reno Industrial Center Opened

Lance Gilman Commercial Real Estate Services announced the opening of the second phase of the Tahoe Reno Industrial Center, 10 miles east of Sparks on Interstate 80. Development Arts, Inc., a Reno real estate development company, acting as Eagle CPT LLC, was the first to purchase land in the second phase when it acquired 100 acres. The company said it plans to build a 1.9 million-square-foot industrial park on the site called the West America Commerce Center. Situated in Eagle Valley, the West America Commerce Center will be built in three phases, with plans to break ground on the first 600,000-square-foot structure in September. The company will build another 600,000-square-foot building, and then, pour a pad for a third site designated build-to-suit.

Nevada Cancer Institute Expansion

Nevada Cancer Institute (NVCI) announced construction is currently underway on new laboratory space at its flagship facility at One Breakthrough Way in Las Vegas to accommodate NVCI's growing patient volume. The expansion will create five more patient exam rooms, for a total of 14. The new configuration will improve patient flow and allow for a second nurse's station. Additionally, 5,000 square feet of new lab space is being constructed. When completed, the project will add three new labs to NVCI's facility, bringing the total to 12. The four-story building has two wings for patient care, research and education.

Crisci Builders Completes Bank of America at Blue Diamond Crossing

Las Vegas-based general contractor Crisci Builders, announced that construction of the new Bank of America banking center at 4112 Blue Diamond Road has been completed. The general contractor provided ground-up, shell construction and interior build-out for the project in Blue Diamond Crossing commercial center. Blue Diamond Crossing represents the 16th Bank of America center Crisci Builders has constructed in Nevada since 2003. The project costs totaled approximately $1.5 million. Construction commenced in February 2007, and was finished in time for the banking center's recent grand opening.

Olympia Gaming Closes on Land for New Resort

One of Northern Nevada's most highly anticipated resorts will begin construction early next year. Olympia Gaming announced that it has acquired approximately 14 acres from RED Development for the $800 million Legends Marina Casino-Resort-Spa project. Having spent the past year designing the lakefront site and meeting with the community leaders and city officials, Olympia Gaming will begin building a project that will be an integral part of RED Development's 1.2 million-square-foot Legends at Sparks Marina destination retail, entertainment center. The development is scheduled to break ground during the first quarter of 2008, and open in late 2009 or early 2010.

LaPour "LEEDs" the Way with New Suburban Office Development

Lapour, a regional commercial real estate development firm, recently broke ground on a $19 million, three-story, 70,000-square-foot LEED-registered office building, located at the southwest corner of Diablo and Interstate 215 Frontage Road just north of Russell Road. LaPour is a member of the United States Green Building Council and is committed to developing LaPour Corporate Center in an environmentally responsible manner. Upon completion, the project will be LEED (Leadership in Energy and Environment Design) certified – the guideline for construction, development and design of "green" buildings. Completion is slated second quarter of 2008.

Parkway Pointe Office Building Welcomes First Tenants

Leasing activity is heating up at Parkway Pointe office building, where its first tenants have taken occupancy and lease transactions for several others are being finalized. The 52,000-square-foot Class A professional building which opened in the first quarter of 2007, located on the western side of the Las Vegas Valley. Four tenants have already taken residency at Parkway Pointe and additional companies are in negotiation for existing spaces, which may measure from 1,200 square feet to 26,000 square feet.

Chamber Ad

Attorney General Catherine Cortez Masto

Should Nevadans be threatened by modern-age bandits?

Protecting Nevadans Pockets

Accomplished bank robber Willie Sutton is famously known for answering why he robbed banks by saying, "Because that's where the money is." Where is the money today? In early June of 2007, thieves were able to shift nearly $450,000 from a city's general fund by using a spyware program to mimic the computer strokes made by the financial officer of a small California city. The thieves obtained bank passwords in this manner and first wired $90,000 to a bank account in North Carolina. The following day, emboldened by their success, they wired an additional $358,000 from the city's bank account to a bank in Michigan.

A month later, in early July, a court in London sentenced three "cyber-jihadis" to sentences between six-and-a-half to 10 years for inciting Muslims to wage holy war on non-believers. According to *washingtonpost.com*, the men made more than $3.5 million in fraudulent charges using credit card accounts stolen online – some from the United States via the Internet black market for stolen identities. They then compiled shopping lists for items that fellow jihadists might need for their battle against the American and allied forces in Iraq, including GPS devices, night vision goggles, and survival gear. They purchased hundreds of prepaid cell phones and more than 250 airline tickets using 110 different credit cards at 46 airlines and travel agencies. They laundered money through online gambling sites using accounts set up with stolen credit card numbers and victim's identities – some 350 transactions at 43 different online wagering sites, using more than 130 compromised credit card accounts. They lost some money, but withdrew "cleaner" winnings and transferred them to online bank accounts they controlled.

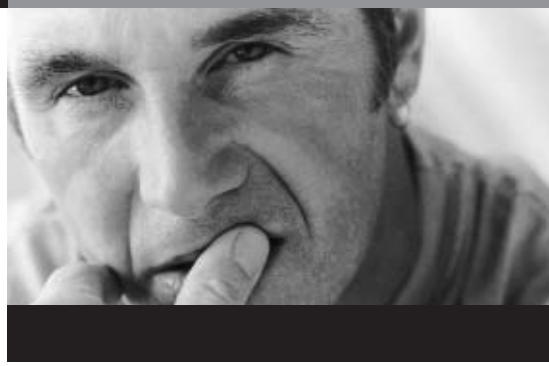
Often, money is indistinguishable from electronic information that provides the cyber-key to money transfers. Electronic monetary transactions are predicated on information-based credentials. Those credentials might (falsely) identify a city treasurer or an individual applying for a credit card. We have labeled crimes based on electronic lies identity theft, but we are really dealing with a variety of frauds based on impersonation – impersonation that has been made easier in an electronic world where nobody can see who you are.

As a society, we have tended to concentrate on making personal data harder to steal. We have become more educated about phishing attacks and the perils of disclosing personal information online. We now limit the use of our social security numbers and other personal identifiers. We appropriately condemn as scandalous personal information stolen from companies, banks, universities and government data bases.

We also focus on clean up and damage limitation. We have passed laws dealing with disclosing data compromises. A number of states, including Nevada, allow actual or potential victims of identity theft fraud to freeze their credit reports with the three major credit reporting agencies, thereby preventing anyone from opening any form of credit in the victim's name. This is important because it does not take much personal information to apply for a credit card in someone else's name. Also, Nevada and a few other states have some type of identity theft passport – programs that officially recognize victims of identity theft frauds in order to assist them in re-establishing credit and in defending against the claims of merchants who have been swindled by the identity thief. The key step in obtaining an identity theft passport is for the victim to produce documentation to government officials to prove that person's identity.

Fraudulent transactions threaten us all, not only financially, but physically, if they are used to fund terrorist schemes. We not only need to continue what we are doing to combat financial crimes, but we also need to think hard about additional steps that will fundamentally alter the incentives and opportunities relating to fraudulent transactions.

Money is no longer just a physical commodity. We have not yet identified the complete set of strategies necessary for its safekeeping.



Baby Boomer Mistakes

Retirement Preparation

As baby boomers near retirement, they're discovering the pitfall that previous retirees have been complaining about for years – insufficient retirement preparation.

Although a wealth of information is available on the subject of retirement planning when the time is near, little has been written about the fundamental importance of planning for retirement early in life. Errors made in the years approaching retirement can haunt a person for life as the stakes are often very high. A retiree can easily end up with less money, or less retirement, than planned. Or can face big tax bills that could have been avoided had he or she been better prepared. Here are some of the most common mistakes made in retirement planning and how to avoid them.

Underestimating Life Expectancy

Financial planners used to routinely create retirement plans that stopped at age 85, because the chances seemed pretty good that clients would be dead by then. The average life expectancy at age 65 is 10.3 years for men, 12.4 years for women. But averages don't always tell the truth. You may be in better health than the average person, take better care of yourself or have better DNA.

Another topic among baby boomers is the cost of long-term care facilities. Surveys have shown that one out of two people will require some extended stay in a long-term care facility. With the cost of a long-term care averaging $64,000 per year as an average across the United States, that would make a significant dent in a baby boomer's retirement nest egg.

The longer a person lives, the more he or she will benefit from delaying the start of Social Security pay. Although one can start receiving checks as early as age 62, the amount of the checks increase the longer one waits, up until age 70.

Assuming You'll Be Able to Work As Long As You Want

Baby boomers are famous for proclaiming that they'll work past retirement age. A recent AARP study found 79 percent of potential retirees predicted they would continue working at least part of the time during their retirement years. How they'll actually feel once they're in their 60s and 70s, though, is an open question. Right now, the typical retirement age is 62, according to the Employee Benefit Research Institute, and 40 percent of retirees say they left the workplace earlier than they'd planned, often because of illness, disability or layoffs. In fact, 42 percent of women over the age 65 and 38 percent of men in the same age group have disabilities, according to the U.S. Census Bureau. Only 12 percent of people over the age 65 are still in the workforce. Many people find that even without chronic health problems, their energy begins declining in their late 60s and 70s, although a few are able to work into their 80s or even 90s.

Locking in Poor Returns

Retirees do this in a number of ways, but the two most common are certificates of deposit (CDs) and immediate annuities. CDs typically offer interest rates not much higher than the rate of inflation. Once taxes are calculated, the CD often loses its purchasing power. While CDs can be a part of an investment strategy in retirement, most retirees will need the long-term growth potential offered by stocks. The proportion of a portfolio that should be in stocks depends on age, risk tolerance and growth needs.

Jimmy Lee, CFS, is the managing partner and CEO of The Wealth Consulting Group.

Deposit Alternative Company Established in Nevada

The founder of one of Australia's deposit bonding companies expanded its international reach by opening the first deposit bond firm, Deposit Alternative, in Las Vegas – the first of its kind in the United States. A deposit bond is a substitute for the cash deposit required when purchasing property, and can be issued for up to 20 percent of the total purchase price. Deposit Alternative can issue deposit bonds for property purchases and can also provide deposit bonds for all or part of the property transaction's deposit requirement for periods of three to 36 months.

Prudential CRES and IPG Commercial Merge

Prudential CRES announced it has acquired IPG Commercial Real Estate, forming a partnership that will create synergy between two firms in Southern Nevada's commercial real estate market. Prudentials President Art Carll said the companies will now be branded Prudential CRES | IPG Commercial Real Estate. The acquisition brings the newly re-branded organization to a staff of 24, including 17 licensed brokers. Prudential CRES | IPG offers advisory assistance and consultation for investments, site selection, leasing, opinion of value, acquisition and disposition services. Combined, the two companies have facilitated more than $200 million in transactions this past year.

Lundahl and Associates Rebrands

Collaborative Design Studio is the new name for Lundahl and Associates, which has worked out of the Reno-Tahoe region for more than 30 years. The firm was founded in 1976 by Jeff Lundahl in Incline Village. The newly restructured firm will continue to provide architecture, master-planning, urban design and interior services in commercial, government, educational, resort and hospitality and residential settings.

Nevada Companies Create New Jobs

The Nevada Commission on Economic Development (NCED) reported the number of new jobs created by expanding Nevada companies during the past fiscal year has increased. In 2007, Nevada's expanding companies reported 1,744 new jobs companies compared to 1,196 in 2006. The three largest Nevada company expansions were: Microsoft Licensing, providing 300 new jobs; Zappos.com, providing 280 new jobs; and PetsMart, providing 200 new jobs. Although the housing market represents a major economic stimulus- both national and local- the fact that this indicator was extremely sluggish for the U.S. and Nevada did not appear to adversely affect Nevada's long-running expansion. The state is still growing, and people are still moving here and absorbing housing vacancies.

Bank of George Receives Permission to Organize

Bank of George received permission from the State of Nevada Financial Institutions Division to organize. It also obtained the approval of its application from the Federal Deposit Insurance Corporation (FDIC). Bank of George was founded by Chairman Edward M. Nigro; the bank is organized and directed by Antonio T. Alamo, M.D., Dipak Desai, M.D., Timothy Herbst, William Hornbuckle, Gary Johnson, Rudy A. Manthei, D.O., Troy Nelson, Michael Nigro, Todd Nigro, Alan Sklar, Jonathan Schwartz and Diane Fearon. Bank of George will be located in Desert Canyon Business Park, at Russell Road and the I-215 Beltway, and is scheduled to open in the fall of 2007.

Electronic Document Retention Policies

A Business Necessity

The news is full of stories of suspicion and liability due to missing electronic files: Missing e-mails from Karl Rove; deleted e-mails from Arthur Anderson; $29.2 million awarded in a discrimination case after jury was instructed to "infer that [missing e-mails] would have been unfavorable."

As a result of recent changes to the federal court rules, lawyers recommend that all companies have a written electronic document retention policy. At some point, most businesses can expect to be asked to produce electronic documents. Failure to do so can result in sanctions or an instruction to the jury against the company. Under the new rules, all parties must disclose their electronic documents or information about those documents – including where they are kept – early in a case.

The new rules contain a safe harbor if electronic information was "lost as a result of the routine, good-faith operation of an electronic information system." A company is protected from adverse instructions, or even a presumption of wrongdoing, if documents were destroyed in accordance with a written policy. Because of this, all companies should have a policy regarding the retention and destruction of electronic information, including e-mails.

Even companies not guilty of wrongdoing need to be concerned about favorable evidence that could be lost or selectively disclosed. The company that deletes its e-mail or other files too quickly may leave itself without the proof necessary to fend off a suit. An employee suing about harassment, for example, can be expected to copy incriminating e-mails, like sexual jokes from a co-worker, but not exculpatory e-mails, such as the employee's response of "LOL" ("laughing out loud") or suggestive e-mails he or she initiated. Without an accurate e-mail record, if an employee claims to have been harassed by e-mail or to have reported harassment by e-mail and the company would not have the means to disprove the claim.

To avoid presumption, an electronic document retention policy must require keeping all relevant records until the possible statute of limitations has expired. But that time frame depends upon the content of the documents. A meaningful policy must provide a means of sorting the documents, a filter that will screen for any sensitive electronic files, including e-mails, files and retain the relevant ones. The policy must cover all electronic devices, including PDAs, laptop computers, and even home computers, if company business is conducted on them. The policy needs to be crafted with the assistance of counsel and IT experts. Then, it must be faithfully implemented, including systematic auditing to ensure compliance. Failure to do so could leave a company in the worst of all positions, without the evidence it needs to defend itself and yet, subject to an adverse inference for failing to retain required records.

A good company need not fear its electronic records. Rather, it needs to plan what records to keep, how and where to keep them, and how the records can be accessed if litigation does arise.

Ann Lyter Thomas is an attorney with Kolesar & Leatham and practices primarily in business litigation and labor and employment law.

Federal Land Policy

Creating Economic Hardship in Clark County

Ever since Nevada achieved statehood in 1864, federal agencies have controlled most of the state's land, refusing to release more than token amounts for construction of homes, schools, parks and businesses.

Currently, about 89 percent of Clark County's surface area is managed by the federal government. Until recently, this situation had little impact on day-to-day living for most county residents. Now, however, it is causing economic harm and, in many cases, genuine hardship to local developers, workers, renters and would-be homeowners.

That is the subject of a recent study I conducted for the Nevada Policy Research Institute titled, "The Federal Land Stranglehold – and What Nevada Can Do About It."

The study details how government-induced scarcity of buildable land — in an area surrounded by miles of wide-open spaces — has triggered massive increases in the prices of any remaining privately-owned land.

Today, average families can no longer afford mortgage payments for median-priced homes. Numerous multi-million-dollar residential and commercial projects have been cancelled or put on hold, resulting in thousands of lost construction jobs, simply because the high land prices have made such projects too costly to build. Construction of affordable two- and three-story apartment complexes has been severely reduced, causing rents for existing apartments to rise sharply.

Increases in industrial and commercial rents have been passed on to local consumers in the form of higher prices. As a result, the cost of living in Las Vegas now exceeds that of other major western cities such as Phoenix, Denver, Salt Lake City and Portland.

Escalating costs are having an increasingly negative impact on Clark County's ability to attract and retain the new businesses needed to support and diversify its growing economy. Until recently, Southern Nevada was a magnet for companies trying to escape high-cost environments in California and elsewhere. This advantage has now disappeared.

"Big corporations look at our land prices and they just turn away," said a local business leader. "Our land prices make any deal out of the question, no matter what incentives we offer."

Some of the most serious effects of the federal land policy are being felt by a demographic group that is critical to the continuing success of Clark County's economy: low- and moderate-income workers, including school teachers and many hotel/casino employees.

Living costs for workers in Clark County's all-important hospitality sector are increasing much faster than earnings. The county's median home price has surged more than 75 percent in the past five years, overwhelming wage increases during that time. Increased living costs will ultimately force hotel/casinos to offer higher wages to attract new workers and retain existing staff, reducing profits and making new growth-oriented projects more difficult.

Higher living costs are also a major contributor to teacher shortages, negatively impacting the education of thousands of children in the county's primary and secondary schools. Once, Clark County's relatively low cost of living was a major selling point for teacher recruitment.

"However, with dramatically escalating housing costs and with new teachers more interested in purchasing-power than retirement benefits, recruiting teachers is becoming increasingly difficult," statewide school officials recently reported.

In the last seven years, the Bureau of Land Management auctioned only 20 square miles of public land in Clark County, far short of the 29 square miles of suitable land per year needed to maintain the area's current population density. If this policy continues, overcrowding and escalating costs will make Clark County a progressively less desirable place to live and work.

Charles F. Barr is a research analyst specializing in economic and demographic modeling and a policy fellow of the Nevada Policy Research Institute.

The Petition Process

Voter Beware

In recent years, ballots in Nevada have grown exponentially with the proliferation of ballot initiatives, constitutional amendments and referendums. These questions – which seek to do everything from banning smoking in restaurants to attempting to legalize marijuana – circumvent the representative process of government by going directly to the voters for approval.

Proponents would argue that this is the purist form of democracy. By collecting signatures and putting the question on the ballot, the voters themselves make decisions on important issues – what could be more democratic than that?

The problem with this scenario is that the voters who are making these decisions are actually getting very little information about what the question really means and the effect it will honestly have on the future of Nevada.

Voters are asked to sign a petition presented by someone who was hired by a particular side and is being paid to get as many signatures as possible. These solicitors are obviously vague about the exact reason for the question and who is really behind the petition's campaign.

Recent changes to Nevada law require the signature collectors to have written explanations on hand, should a potential signer ask for more information. Often, however, the initial pitch is so vague and one-sided that voters are easily confused and may sign a petition that they would normally oppose if they had more information.

If the same issue were brought before a committee in the Nevada Legislature, for instance, our elected representatives would ask numerous questions and get to the bottom of what entities are really behind the legislation. The entire issue would be completely vetted, in the open, and if it went forward, it would do so with a serious light being shined upon it.

This process is not perfect. Lobbyists with special interests will attempt to influence an outcome and can have tremendous sway with governmental bodies. However, they will be forced to answer specific questions about the legislation, its effect on the people of Nevada and any consequences its passage may have on residents.

Next year, there will undoubtedly be several ballot questions that voters will have to deal with. For example, billionaire Venetian Hotel owner Sheldon Adelson has been talking about funding an initiative to change the way transportation is funded in Southern Nevada. Is he really that interested in our roads and highways? Or is he more interested in taking room tax money away from one of his hotel's biggest convention competitors, the Las Vegas Convention and Visitor's Authority?

In addition, the teacher's union wants to raise gaming taxes to pay for education. Of course, they would love to see more money spent on our schools. However, they really want to see more money spent on their member's salaries.

The safest bet is to be very careful what you petition's you sign this year. That petition seeking to help our kids or ease our road congestion might not be that simple.

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

Building Nevada

Retail Market Summary

2nd Quarter 2007

Las Vegas

June 2007 retail employment was up 3.1 percent (3,000 jobs) from June 2006, according to the Nevada Department of Employment, Training and Rehabilitation. The largest contribution came from the General Merchandise & Clothing sector, with 1,100 jobs added followed by Health & Personal Care Stores sector, with 300 new jobs and Food & Beverage Stores sector, with another 200 jobs.

In second quarter 2007, the Las Vegas Valley's anchored retail vacancy rate increased from 2.7 percent in first quarter to 3.1 percent. This increase was accompanied by a rise in the average monthly asking rent, from $1.95 price per square foot to $2.03 per square foot NNN. The largest increase in average asking rent was in Community Centers ($0.17).

The Valley's retail market was active because both direct absorption and completions were closely balanced. Direct net absorption kept pace at 763,920 square feet, resulting in an absorption-to-completion ratio of .81 feet of demand for every foot of new supply. As a result, the Valley's inventory rose by 2.3 percent to 39,341,395 square feet.

The amount of retail-space under construction in second quarter amounted to 1,651,114 square feet, up 13 percent from first quarter, while planned space fell .76 percent to 2,210,409 square feet. If all of the anchored retail space presently under-construction or planned is completed (which is not likely), it would represent a 9.8 percent increase in the Valley's retail inventory. RCG estimates it will take 6.8 quarters (1.7 years) to absorb all existing and forward-supply.

Reno/Sparks

The Reno/Sparks retail sector continues to show healthy growth despite a decidedly more downbeat housing market. Modest job creation, above trend wage growth and in-migration from California has helped to sustain consumer spending.

Retailers continue to expand to Northern Nevada not only in adding to existing stores, but also in launching new concepts as they continue to ride the momentum of five consecutive years of solid residential growth. Construction in the retail sector is robust with second quarter completion of 283,000 square feet; 709,000 square feet under construction; and 3 million square feet planned.

Vacancy rates have remained stable with second quarter overall vacancy increasing slightly to 7.8 percent, up from first quarter's number of 7.121 percent. Low vacancy rates and new tenant activity coupled with the high cost of land have driven rental rates for multi-tenant space in new developments up to $3.25 per square foot per month. However, tenant push-back in rents has recently been noted in submarkets with excess standing inventory.

Significant new tenants entering the market include a 225,000 square feet Scheel's All Sports (opening 2008), a 150,000 square feet Cabella's (opening fall 2007) and Whole Foods (opening fall 2007). Summit Sierra and Legends at Sparks Marina, the area's first lifestyle centers, are bringing new brands and restaurants to the trade area (more than 30 in Summit Sierra alone) catering to evolving demographics and consumer tastes. Additionally, second phases of Sparks Galleria, Sparks Crossing, Ridgeview Plaza and Summit Sierra are nearing completion.

RETAIL– 2ND QUARTER 2007

TOTAL MARKET	LAS VEGAS	RENO
Total Square Feet	39,341,395	13,785,274
Vacant Square Feet	1,210,657	1,075,354
Percent Vacant	3.10%	7.80%
New Construction	934227.0%	283,701
Net Absorption	763,920	422,204
Average Lease SF/MO (NNN)	$2.03	$1.76
Under Construction	1,651,114	708,894
Planned	2,210,409	3,144,857
POWER CENTERS		
Total Square Feet	7,657,863	4,378,054
Vacant Square Feet	104,380	172,053
Percent Vacant	1.40%	3.9%
New Construction	0.0%	98,015
Net Absorption	-8,269	355,491
Average Lease SF/MO (NNN)	$2.10	$1.98
Under Construction	944,314	281,610
Planned	750,000	1,991,479
COMMUNITY CENTERS		
Total Square Feet	16,701,730	2,739,618
Vacant Square Feet	629,832	349,114
Percent Vacant	3.80%	12.7%
New Construction	465,425	73,217
Net Absorption	292,911	112,851
Average Lease SF/MO (NNN)	$1.92	$2.34
Under Construction	706,800	27,017
Planned	290,700	14,500
NEIGHBORHOOD CENTERS		
Total Square Feet	14,981,802	2,818,249
Vacant Square Feet	476,445	76,004
Percent Vacant	3.2%	2.7%
New Construction	468,802	0
Net Absorption	479,278	13,958
Average Lease SF/MO (NNN)	$2.16	$1.80
Under Construction	0	67,564
Planned	$1,169,709.	147,758

Next Month: INDUSTRIAL

ABBREVIATION KEY

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

SOUTHERN NEVADA STATISTICS COMPILED BY COLLIERS INTERNATIONAL AND RESTREPO CONSULTING

NORTHERN NEVADA STATISTICS COMPILED BY COLLIERS INTERNATIONAL RENO

Improving Performance Standards

Motivation is Key

When supervisors and managers are unable to meet deadlines or production standards, the call often goes out to hire more people. If you were to poll the employees in most organizations, whether or not they could do more, the vast majority would tell you they could, but aren't motivated to do so. In many cases, performance standards are out of date with what could actually be achieved, with the technology in place, by motivated employees. There are always reasons why something can't be done, and in many cases, that is where change stops.

Prior to May 6, 1954, it was believed to be impossible that anyone could run a mile in less than four minutes. Then Roger Bannister did just that, and since that time, the record continues to be broken. Bannister was very motivated and didn't perceive the sub-four-minute mile an insurmountable goal. As a result, through motivation, hard work and dedication, he ran a record-setting mile in three minutes and 54 seconds. The parallel here is that people are often capable of exceeding the minimum expectations set as acceptable performance or production standards.

Another negative influence that interferes with attempts to improve performance standards is the impact of peer pressure. New employees often realize that performance standards can be exceeded and provide opportunity to move ahead in the organization. However, peer pressure often rises to influence the new employee to not "rock the boat," and they typically adapt to meeting the minimums in order to get along with coworkers.

The real challenge is to identify realistic performance and productivity measures, and create an environment where employees are continually motivated to reach higher levels of performance and productivity. Time and motion studies can analyze work flow and determine the amount of work or number of functions to perform under optimal conditions. Reviewing current performance against the revised standards can identify the incremental improvements that need to be made.

Introduce employees to the new standard and ensure they understand the importance of adopting it, in order to meet the new performance goals. In an effort to motivate people, organizations can create a workplace environment where employees motivate themselves. Enlightened leaders who know how to get results out of their people will communicate the importance of meeting new standards, provide reinforcement, incentives and support. At times, additional employees may need to be hired, but only after the organization has carefully studied its current performance and production standards, and adjusted them to achieve the maximum realistic performance possible. The cost of hiring new employees is usually an expensive undertaking, and not always the answer when the current employees don't meet the organization's needs.

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It could not last-and, it did not. The push toward increased home ownership, an admirable objective, came with a host of relaxed credit standards; generally referred to as subprime mortgages. Innovative, but relaxed credit standards, abundant funding augmented from expanding global sources; and a rush for quick returns triggered by some early highly profitable events set off a real-estate boom environment, often referred to as a bubble. As such, successes pushed things "a step too far." A headlong push for returns without prudent assessment in too many instances, having generated an unsustainable environment, now faces a period of correction. We have now entered a period of risk-and-return rebalancing. A financially stressful period with a push to greater liquidity amid higher-than-usual problems of solvency is a greater risk environment than what we have experienced of late.

We see the pattern of a slowdown in the Nevada numbers. Housing activity, as reflected in residential-permitting activity, the first step in residential construction, is down sharply from year-ago levels. Overall, job growth falls short of the trend. Other indicators showing more subdued performance levels include gaming revenue and taxable sales, both show decidedly lower levels of performance than in the past. Moreover, the slowdown is apparent in both Las Vegas and Reno.

Nationally, slower growth is apparent in the national income accounts. GDP growth is down sharply, coming in at a seasonally adjusted rate of 0.6 percent. Still, other indicators are not as sanguine, suggesting slower growth ahead. If international monetary authorities, including the U.S. Federal Reserve, are able to keep sufficient liquidity and self-correcting forces work with sufficient rapidity and impact, a recession will be avoided. In short, we foresee slower growth ahead amid higher risks.

The current jitters follow a pattern of increased frequency of financial crises. Most recently was the Dot.Com market correction (2000), preceded by Long Term Capital Management crisis (1998), the Asian financial crisis (1997-1998), the stock market crash (1987), and the Savings and Loan Crisis (1985). Thus, looking back we offer one take away for forward thinking-the quickening pace of financial innovation is seeding increased financial volatility and that there is difficulty in detecting and limiting the spread of problems before they have broader consequences.

R. Keith Schwer
UNLV Center for Business and Economic Research

			DATA			GROWTH		
	UNITS	DATES	LATEST	PREVIOUS	YEAR AGO	RECENT	YEAR AGO	COMMENTS
NEVADA						(%)	(%)	
Employment	1,000 employees	07/07	1,300.7	1,312.4	1,279.1	-0.9	1.7	Weak
Unemployment Rate	%, NSA	07/07	5.1	4.7	4.5	8.5	13.3	Up
Taxable Sales	$ billion	05/07	4.112	3.907	4.265	5.2	-3.6	Trend Down
Gaming Revenue	$ million	06/07	959.82	1,143.68	907.71	-16.1	5.7	Off Recent
Passengers	passengers	06/07	4.660	4.643	4.399	0.4	5.9	Up
Gasoline Sales	million gallons	06/07	99.91	99.25	98.32	0.7	1.6	Flat
Visitor Volume	million visitors	06/07	4.344	4.418	4.254	-1.7	2.1	Weak
CLARK COUNTY						(%)	(%)	
Employment	1,000 employees	07/07	932.5	941.3	915.5	-0.9	1.9	Weak
Unemployment Rate	%, NSA	07/07	5.1	4.7	4.5	8.5	13.3	Up
Taxable Sales	$ billion	05/07	3.048	2.909	3.168	4.8	-3.8	Trend Down
Gaming Revenue	$ million	06/07	789.66	968.44	744.30	-18.5	6.1	Off Recent
Residential Permits	units permitted	07/07	925	1,729	2,232	-46.5	-58.6	Down
Commercial Permits	permits	07/07	102	80	92	27.5	10.9	Up
Passengers	million persons	06/07	4.157	4.170	3.889	-0.3	6.9	Trend up
Gasoline Sales	million gallons	06/07	67.81	69.22	65.99	-2.0	2.7	Down Recent
Visitor Volume	million visitors	06/07	3.677	3.770	3.574	-2.5	2.9	Down Recent
WASHOE COUNTY						(%)	(%)	
Employment	1,000 employees	07/07	227.3	228.7	223.3	-0.6	1.8	Weak
Unemployment Rate	%, NSA	07/07	4.6	4.4	4.1	4.5	12.2	Up
Taxable Sales	$ billion	05/07	0.591	0.555	0.617	6.4	-4.2	Trend Down
Gaming Revenue	$ million	06/07	92.79	91.76	88.90	1.1	4.4	Up
Residential Permits	units permitted	07/07	181	176	380	2.8	-52.4	Trend Down
Commercial Permits	permits	07/07	29	28	45	3.6	-35.6	Trend Down
Passengers	million persons	06/07	0.458	0.421	0.445	8.8	3.0	Up
Gasoline Sales	million gallons	06/07	16.17	14.77	15.72	9.5	2.9	Up
Visitor Volume	million visitors	06/07	0.460	0.438	0.477	5.0	-3.6	Up Recent
UNITED STATES						(%)	(%)	
Employment	million, SA	07/07	138.122	138.030	136.252	0.1	1.4	Holding
Unemployment Rate	%, SA	07/07	4.6	4.5	4.8	2.2	-4.2	Up Slightly
Consumer Price Index	82-84=100, NSA	07/07	208.3	208.4	203.5	0.0	2.4	Steady
Core CPI	82-84=100, NSA	07/07	210.8	210.5	206.2	0.2	2.2	Steady
Employment Cost Index	89.06=100, SA	2Q07	105.1	104.3	101.6	0.8	3.4	Up
Productivity Index	92=100, SA	2Q07	137.5	136.6	136.6	0.7	0.6	Declining
Retail Sales Growth	$ billion, SA	07/07	376.051	374.957	363.968	0.3	3.3	Flat
Auto and Truck Sales	million, SA	07/07	15.23	15.63	16.89	-2.5	-9.8	Down
Housing Starts	million, SA	07/07	1.381	1.470	1.746	-6.1	-20.9	Down
GDP Growth	$ billion, SA	2Q07	11,507.9	11,412.6	11,306.7	0.8	1.8	Slow Growth
U.S. Dollar	97.01=100	07/07	102.770	104.120	108.370	-1.3	-5.2	Weak
Trade Balance	$ billion, SA	06/07	-58.135	-59.157	-64.527	-1.7	-9.9	Down
S&P 500	monthly close	07/07	1,455.27	1,503.35	1,276.66	-3.2	14.0	Off
Real Short-Term Rates	%, NSA	07/07	4.85	4.42	4.65	9.8	4.2	Up
Treasury Yield Spread	%, NSA	07/07	0.04	0.36	0.01	-88.9	300.0	Down

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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