

**U.S. House of Representatives
Committee on Natural Resources**

Hearing July 26, 2016

Testimony: Opinion of Prof. Alan Schlottmann

Good Morning.

My name is Alan Schlottmann. I am Professor of Economics at UNLV and Executive Director of the Theodore Roosevelt Institute, an independent nonpartisan think tank for public policy studies.

The Theodore Roosevelt Institute (“TRI”) was retained by a consortia comprised of NAIOP-Southern Nevada, the Nevada Contractors Association, SIOR Southern Nevada Chapter and Southern Nevada CCIM to review a report prepared by the U. S. Bureau of Land Management (“BLM”). The BLM report is titled “*Draft Resource Management Plan Management/Environmental Impact Statement*” (“the RMP”) for potential implications on the economic growth and development of Southern Nevada (“Clark County”). Released in 2014, the RMP is the key tool the BLM uses to manage resources and to designate uses on public lands.

My testimony is based upon a decade of research on the issue of land constraints on economic development. This research is summarized in the two lengthy reports sponsored by the NAIOP-Southern Nevada both of which were provided to committee staff, one from 2009 and the recent review of 2016.

It is important to note that my opinions are solely related to the issue of economic growth and development. I appreciate the multidimensional aspects of BLM responsibilities but my research is on economic growth and development. All comments and tables referred to in this current testimony are from the Executive Summary of NAIOP (2016) [referred to as ES hereafter].

The impact of land use on economic growth and development is a complex issue that covers several interrelated factors. These factors include fundamental land availability as the most obvious factor, but also consist of the distribution of parcel sizes for commercial (industrial, office and retail) development, the impact on economic growth and diversification via Nevada’s targeted industries and the intra-regional location of available land and regional goods movement including congestion issues in a regional economy dependent on truck movement. Each of these factors is discussed in the report as they relate to Southern Nevada.

Based on our review, in our opinion, an analysis of land use impacts on Southern Nevada’s current and future economic growth and development is lacking in the proposed RMP. Both economic growth and development of Nevada’s targeted industries are keys to improving the quality of lives of residents in Southern Nevada through increased employment opportunities, economic diversification and, potentially, higher wages and incomes. A thorough analysis of land use and possible constraints on the region’s economic vitality are essential for any proposed resource management plan.

Therefore it is our opinion:

- The BLM should seek further community input on the inter-relationship between land use planning and its impact on the economic growth and development of Southern Nevada. The factors discussed in our report assert that land use planning can and will play a major role in the success (or failure) of Southern Nevada's long run economic growth and development.
- The State of Nevada's economic development efforts and plans toward targeted industries is the major effort to diversify the economy of Southern Nevada and to create new employment clusters of related businesses. This topic needs further analysis in the final RMP.
- Based upon both our current and prior work for a decade on the competitive position of land and associated constraints in Southern Nevada, our opinion is that Southern Nevada's economic growth and development could face a regional competitive cost disadvantage. In this regard, the role of land management needs additional discussion and community input in formulating the final RMP.

These points of opinion are based upon the analyses in NAIOP (2009) and NAIOP (2016). For full information, please see these research reports as provided to the committee.

However, three points of support are as pointed out below:

- Based on an inventory of available land suitable for current commercial development, Southern Nevada is, in our opinion, constrained. The analysis includes the number of developable 70+ acre parcels within Clark County

Of these lands, just 9,177 acres are located in 13 "top employment opportunity areas ["EOAs"]" identified (see Table ES-3) in the LVGEA Employments Lands Report, and this figure includes a much higher figure for APEX than the 2,300 acres of APEX Holdings. A lower short-term available land acreage estimate for the 13 EOAs is in the range of 4,700 acres. For comparison, the Tahoe Reno Industrial Center ("TRIC") in the Reno-Sparks area, home of the Tesla Gigafactory, contains 30,000 acres of developable commercial land all on its own.

There are few large assemblages (1,000 acres or more) available in Southern Nevada. In fact, in the Las Vegas Valley, including all parcels in the region, there is just one – two, if APEX, which is just outside the Valley, is included. These two sites make up about 8,100 acres of developable commercial land. Factoring in the required space of developing and growing the regional economy with the Nevada Governor's Office of Economic Development ("GOED") recommended new-targeted industries further exacerbates the land scarcity issue. Growing acreage limitations puts a constraint on the size of new industries that Southern Nevada could successfully attract and accommodate. This critical issue requires further analysis in the final RMP.

- Based on an analysis of employment forecasts for Southern Nevada, and estimating the land requirements associated with these employment forecasts, we have determined that Southern Nevada may very well find itself at a severe competitive disadvantage in the future; this needs further recognition and discussion.

The total “Expected Growth” suggests that Southern Nevada would need at least 12,700 acres of employment land space to meet forecasted employment growth in 2034 (see Table ES-4). This also assumes that the required land is in appropriate locations (such as, for example, north-south along I-15).

The major assumption inherent in these forecasts is that growth inputs and underlying conditions will be available. However, that is not necessarily a given. As noted in the research and its various sources, the number of large parcels available for development for Southern Nevada’s targeted industries may not be able to absorb the projected growth. For example, the total acreage of the 13 top employment opportunity areas in the Las Vegas Valley discussed in this report adds up to only approximately 4,700 acres available for development within in the next three to five years, with only three of these areas having acreage that exceeds 150 acres. Even the higher figure for these 13 top employment areas of 9,177 acres available makes a strong assumption that APEX is always the appropriate location, and includes a much higher acreage figure for APEX than the 2,300 acres owned by APEX Holdings.

- Based on the issues discussed in this report, the impacts of a regional cost disadvantages for future economic development in Southern Nevada have been estimated.

What is often not recognized is that any cost disadvantage relates, not only to the more obvious direct effect of the disadvantage, but also to indirect impacts on suppliers, households and new business formation. Thus, the total impacts are not a simple measurement, but the cumulative effects of a series of economic interactions between the business sector, consumers and households

For example, most forecasts of economic growth for Southern Nevada assume that “normal” underlying conditions will prevail in terms of attracting new industries, expanding existing industries, and success with development of Nevada’s targeted industries. If underlying conditions necessary for economic growth and development change in a negative way, then the assumed pattern of future growth will also be negatively affected.

As documented in our past work, Southern Nevada faces stiff competition from other areas of the country for location of business and associated gains in employment. Land use constraints can negatively affect and increase not only the direct cost of land (and its availability) but also result in a higher cost of regional goods movements that increase the total cost structure of Southern Nevada.

Given our research on the competitive position of land and other constraints in Southern Nevada, estimates in our opinion suggest a potential regional competitive cost disadvantage of three percent to five percent for Southern Nevada forecasts over the next twenty years

At first glance, a competitive cost disadvantage of three percent to five percent appears to be small rather than dramatic. However, the impacts of these regional cost disadvantages are actually quite significant. This is due to the critical interactions within economic forecasting models for Southern Nevada between the consumer sector, business sector and suppliers. Using results from accepted modeling, Figures ES-4 to ES-6 present the forecast results regarding population, employment and GRP growth under the base-case and the disadvantaged cases.

Example Three Percent: For the three percent cost disadvantage, compared to the base-cases, forecasted population could be reduced by as much as 7.2 percent in 2035, employment by 8.2 percent and GRP by 9.0 percent.

Example Five Percent: For the five percent cost disadvantage, forecasted population could be severely affected by declining 11.5 percent in 2035, forecasted employment by 13.2 percent and GRP by 14.3 percent.

Forecasts (and simulations) of the economy are, of course, illustrative in nature rather than based on precise numbers. However, they can reveal the unintended consequences of changes to the regional economy. Any proposed RMP requires in our opinion careful and detailed assessment of potential limitations on future employment opportunities for Southern Nevada households.

Policymakers should consider these consequences in formulating future plans. These simulations lead to a strong recommendation that the proposed RMP consider the economic growth and development of Southern Nevada in the planning process. This will require additional input and consultation with the community regarding Southern Nevada's future economic development and economic sustainability.