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SUMMARY OF BILL DRAFT AUTHORIZING CREATION OF INNOVATION ZONES

(Updated January 31, 2021)

Overview: A person who wishes to create an Innovation Zone (IZ) applies to the Office of Economic Development. The area must be a large, undeveloped tract. The applicant must have made a major capital investment and commit to future investment. The IZ must be tied to an industry-specific tax applied to the innovative technology, a tax the Legislature designates as appropriate for the purpose of creating an IZ. Upon approval, the IZ becomes local government with the powers of a county. The IZ may assume contractual obligations in effect or negotiate to modify them. When the Board of Supervisors exercises a power, it supersedes the authority of the county in which it is situated. Until it does so, the surrounding county retains authority and the duty to provide services. The Board may assume the duties of any county officer, either by appointing a corresponding officer or contracting with another local government to provide the services of the office. The Board may combine "county" officers. When the Board determines it is ready to take over all county services, including those of it has already assumed, it gives notice to the county (first trigger). Upon making determination, the IZ takes over almost all of the remaining county services, including those of elected officers and county revenue sources. The IZ thereafter continues to pay a portion of its property taxes to the surrounding county to hold it harmless. The IZ may choose to take over the school district. Voters continue to vote in county elections until there are 100 registered voters at the beginning of an election year. Elections are held that year (second trigger) for the Board of Supervisors of the IZ and IZ officers, which are parallel to county officers but may be combined by the Board. The IZ remains in the judicial district of the county in which it is located and becomes a "township" when it establishes a justice court. At any time after the election of officers, the Board may create and provide for the election of school trustees if the Board has assumed the duties of the local school district. The IZ reports to the Legislature and the Office of Economic Development before each legislative session.

Section 1. The substantive provisions are added to Title 22 of NRS (Cooperative Agreements by Public Agencies; Regional Transportation Commissions; Planning and Zoning; Development and Redevelopment) as a new chapter.

Section 1.5. Adds a legislative declaration regarding the creation of Innovation Zones.

Sections 2-9. Definitions.

Sec. 10. List of innovative technologies, which may be expanded if the technology meets the definition.

Sec. 11. Application to create an IZ. Contents of application in subsection 1 include general plan to guide the IZ, estimate of employment from creation of the IZ, identification of qualified developer, estimate of economic impact of IZ, requirement for initial and further investment, requirement for industry-specific tax approved by the Legislature for this purpose and the financial benefit of that tax. Requirements for land in subsection 2.

Sec. 12. Public hearing and approval, and authority to amend the plan.

Sec. 13. Freezes action against the property once an application is filed. No new restrictions upon land or special district may be established. Any such actions within a year prior to the application may be voided by the Board of Supervisors.

Sec. 14-20. Effect of approval and operation until first trigger.

Sec. 14. IZ becomes a local government and political subdivision of the state with the powers of a county. Existing county authority and duty to provide services continues until the IZ exercises its power in that area, at which time the IZ's exercise of authority controls. The same for county officers: they continue to have responsibility until the IZ assumes the duties of that office.

Sec. 15. This section provides for the initial appointment of the Board of Supervisors by the Governor, removal, vacancies and selection of a chair. The Supervisors continue to be appointed until elections are held under section 30.

Sec. 16. The Board of Supervisors establishes salaries and benefits. To the extent that money is available, they are paid the same amount as county commissioners in the surrounding county.

Sec. 17. Subsection 1 clarifies that the IZ and its officers and employees are subject to laws governing local governments and receive the benefits thereof. Subsection 2 limits the authority of the IZ to impose certain taxes until it assumes all of the duties of the surrounding county. Subsection 3 indicates that contractual obligations and restrictions remain in effect, but gives the IZ the authority to assume the obligations or negotiate modifications. Subsection 4 requires the Board to carry out the approved plan and gives the Board the authority to amend it, consistent with the general purpose to advance the innovative technology for which the IZ was created.

Sec. 18. Subsection 1 provides that except as limited by section 17, the IZ can impose any tax or fee that a county can, and that if the tax or fee supports a service, the IZ gives notice that it is taking over the supported service. The tax or fee takes effect when the IZ takes over the service, and the county can no longer impose that tax or fee. Subsection 2 gives the Board the authority to act as the county license department and designate how the tax is collected and licenses are issued. Subsection 3 gives the Board the specific authority to use revenue from development agreements for any purpose authorized in the chapter.

Sec. 19. This section keeps the IZ in the judicial district of the surrounding county. It also authorizes the IZ to create a justice court after giving notice to the justice court for the township. The new justice court has jurisdiction over cases filed on or after the date of its creation.

Sec. 20. This section gives the IZ the authority to assume the duties of one or more county offices. The IZ can create "county" offices and can consolidate them as it deems appropriate, and may remove appointed members for misconduct in office. Subsection 3 allows the Board to enter into a cooperative agreement with any local government to perform these duties. Subsection 4 requires notice to the county and the affected officer, and provides that the authority of the county officer ends when the IZ assumes responsibility. Subsection 5 requires the county officer to cooperate with the transition. Subsection 6 excludes the election powers of the clerk or registrar of voters until the IZ first holds elections.

Sec. 21-29. Election by Board to assume all county duties and its consequences.

Sec. 21. The Board of Supervisors gives notice of its intent to take over county services on July 1 of a year. The 90-day notice will allow the county and the IZ to prepare for the transfer. The Board also may elect to assume the responsibilities of the school district. If the Board chooses not to, it may do so at the beginning of any subsequent fiscal year.

Sec. 22. This section eliminates county authority over the IZ (much of which has already been assumed by the IZ) and that of all county officers, except the previously mentioned exception for the clerk or registrar with regard to elections, and voids county ordinances (many of which should already have been superseded). It also eliminates county taxing authority in the IZ (which the IZ will assume), the primary consequence of the election to assume the duties.

Sec. 23. This section requires the establishment of a justice court if one hasn't been formed previously, and assumption of the duties of all county officers, to the extent that it hasn't already taken place. The same options apply: create the office, combine offices, or contract with another local government for the services.

Sec. 24. This section makes the Board the school trustees if the Board has elected to assume the duties of the school district and gives them authority to establish schools, contract with charters, enter into a cooperative agreement with another district, or any combination thereof. For the purposes of NRS, the Board is deemed the school board and the IZ is deemed a school district.

Sec. 25. The property tax section. The Board of Supervisors imposes a property tax at the maximum rate, pays the mandatory taxes (state debt, school support), pays the surrounding county the hold-harmless amount, and retains the rest. Subsection 2 begins the hold-harmless calculation. Paragraph (a) has an exception for state taxes (bonds and schools) to avoid paying all to the state plus the hold-harmless to the surrounding county. Subsection 4 allows a lump-sum payment of bonded indebtedness. Subsection 5 exempts the indebtedness of the IZ from the limitation on the county indebtedness and correspondingly excludes the property value. It also clarifies that the IZ is subject to the same debt limits as a county.

Sec. 26. The Board is imposing property tax, including the tax for support of education, but the Board only receives education funding if it has taken over education; if not, the county school district does.

Sec. 27. This section relates to the sales and tax. On July 1 of the year the IZ takes over, it is required to impose a tax at the existing county rate. This is accomplished by requiring the IZ to impose all mandatory taxes and an additional tax at the difference between the mandatory taxes and the total rate then in effect in the county. The IZ may use the revenue from the additional tax for any purpose, including as pledged revenue (subsection 3). Subsection 4 allows the IZ to impose any other optional taxes and requires the IZ to impose any other mandatory ones.

Sec. 28. This section relates to fuel taxes. As with sales tax, the local rate must be matched. This requires matching the exact taxes, and since some require a vote, deems the county vote sufficient approval. Subsection 5 prohibits the county from licensing businesses that sell fuel within the IZ after an application is filed. The IZ cannot issue such a license until this tax is imposed by the IZ.

Sec. 29. Subsection 1 of this section (along with section 35) provides for the distribution of the C-tax. Subsection 2 relates to the liability of the IZ for pledged revenue from the C-tax by the surrounding county.

Sec. 30. Initial election of IZ officers. There are no residents of the IZ when it is created. When there are some, they vote in county elections. As they are surrounded by the county, they have some interest even though the officers of the county may have limited authority. When there are 100 registered voters at the beginning of an election year, the clerk or registrar notifies the Board that the threshold has been hit and an election of IZ officers is held that year. The Board again has the authority to combine county offices, but now the requirement of residency will apply to each office (if there is one). The terms will align these elections with county elections. Subsection 5 indicates that these people are elected like county officers and once elected have the powers and duties of the corresponding county officers.

Sec. 31. At any time after the election provided for in section 30, if the Board of Supervisors has elected to assume responsibility for education in the IZ, the Board may provide for the election of a school board. The school board thereafter assumes responsibility for education in the IZ and has the same authority granted to the Board in section 24.

Sec. 32. The Innovation Zone reports to the Legislature and the Office of Economic Development every 2 years in advance of session. The report must include capital investment, progress on establishing infrastructure, estimates of the economic impact and the revenue from the new tax and other taxes imposed in the Zone, and any amendments that have been adopted to the general plan.

Sec. 33-34. Both for clarification and substance, the preliminary chapter (provisions that apply throughout NRS) is amended to provide that the term “board of county commissioners” includes the Board of Supervisors of an IZ and “county” includes an IZ, with the same limitation that applies to Carson City (to the extent the new chapter treats the IZ differently, the new chapter will govern).

Sec. 34.5. Requires the IZ to pay an amount annually to support the operation of the district court.

Sec. 35. The C-tax section. At the beginning of each fiscal year, before other calculations and distributions are made, the IZ receives the amount generated in the IZ in the prior fiscal year.

Sec. 36. This section clarifies that counties adjoining the county that surrounds the IZ are considered adjoining the IZ for purposes of admitting pupils in their school districts.

Sec. 37. Severability clause.

Sec. 38. Effective date (P&A).