



OVERVIEW OF NEVADA BILL DRAFT AUTHORIZING CREATION OF INNOVATION ZONES

Presentation to the Joint Special Committee to
Conduct a Study Concerning Innovation Zones (SCR11)
September 2021

OVERVIEW OF BDR 22-1109

- 1 Guiding Vision
- 2 General Act
- 3 Application Process
- 4 Initial Operations After Approval
- 5 Innovation Zone Assumes All County Services
- 6 Elections in the Innovation Zone
- 7 Legislative Oversight

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Guiding Vision

- ▶ Legislative Declaration (Section 2)
- ▶ Use of Innovative Technology in Innovation Zone (Section 19)

Section 2: Legislative Declaration

Sec. 2. *The Legislature hereby find and declares that:*

- 1. The diversification of the economy of the State is vitally important to the general welfare of its inhabitants and the fiscal vitality of the State.***
- 2. The State must pursue inventive and creative programs and initiatives to successfully compete in the national and global marketplaces to attract new forms and new types of businesses and to foster economic development in emerging technologies and innovative industries.*
- 3. The traditional forms and functions of local government political subdivisions existent under Nevada statute are inadequate alone to provide the flexibility and resources conducive to making the State a leader in attracting and retaining new forms and types of businesses and fostering economic development in emerging technologies and innovative industries.*
- 4. To accomplish the objective of diversifying the State's economy and providing for new and alternative sources of revenue for the fiscal support of the State, an alternative form of local government political subdivision with the powers and authority prescribed by this act is an appropriate means and necessary measure to further economic development within the State and to benefit the property, persons and private enterprises located in such political subdivision, all of which is a valid public purpose.*

Economic Diversification

"The diversification of the economy of the State is vitally important to the general welfare of its inhabitants and the fiscal vitality of the State."

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Attract New Businesses

"The State must pursue inventive and creative programs and incentives to successfully compete in the national and global marketplaces to attract new forms and new types of businesses and to foster economic development in emerging technologies and innovative industries."

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Alternative Form of Local Government Political Subdivision

"The tradition forms and functions of local government political subdivisions...are inadequate alone to provide the flexibility..."

"To accomplish the objective of diversifying the State's economy and providing for new and alternative sources of revenue for the fiscal support of the State, an alternative form of local government political subdivision with the powers and authority prescribed by this act..."

Section 19: USE OF INNOVATIVE TECHNOLOGY IN THE ZONE DEVELOPMENT AND GOVERNANCE

Sec. 19. 1. *Except as otherwise provided in this chapter, the Innovation Zone and its officers and employees are subject to, must comply with and are entitled to all rights, privileges and immunities recognized by the laws of this State applicable to political subdivisions and their officers and employees, including, without limitation, NRS 41.0305 to 41.039, inclusive, and chapters 239, 241, 281 and 281A of NRS, but if there is a conflict between other laws of this State and the specific provisions of this chapter, the specific provisions of this chapter control.*

2. *Until the Board determines pursuant to section 23 of this act that the Zone intends to assume all of the duties and responsibilities of county government, and except as otherwise provided in this chapter:*

(a) The Board may not impose:

- (1) A tax on real property within the Zone;*
- (2) A tax on motor vehicle fuel, fuel for jet or turbine-powered aircraft or aviation fuel sold in the Innovation Zone;*
- (3) A tax on the sale or use of tangible personal property within the Innovation Zone;*
- (4) A tax or fee imposed by the county in which the Innovation Zone is situated for a service provided by the county unless the Innovation Zone has assumed responsibility for that service.*

(b) The Zone is not entitled to a distribution from the Local Government Tax Distribution Account created pursuant to NRS 360.660.

3. *Any contractual obligations of the applicant regarding, or restrictions upon, the use of land owned by the applicant within the Zone existing on the date the application was filed continue to apply to the applicant. To the extent that any such obligations or restrictions conflict with the general plan for the development of the Zone, the Board may in addition to any other authority provided by this act:*

(a) Assume all or part of the liability of the applicant or accept the restrictions upon the use of the land; or

(b) Enter into an agreement with the person or governmental entity to whom the obligation is owed or which has imposed the restriction to modify the obligation or restriction to further the purposes for which the Zone was created.

4. *In addition to its other duties, the Board shall adopt policies that facilitate the timely and effective development of the Zone and use of the innovative technology in government administration, government services, nonprofit organizations and private enterprise in the Zone in accordance with the general plan in the approved application for the creation of the Zone. The Board may from time to time amend the general plan to facilitate the timely and effective development of the Zone, but such an amendment must not conflict with the general purpose of the Innovation Zone to develop and advance the innovative technology for which the Zone was created.*

Zone Board Requirement:

" In addition to its other duties, the Board shall adopt policies that facilitate the timely and effective development of the Zone and use of the innovative technology in government administration, government services, nonprofit organizations and private enterprise in the Zone in accordance with the general plan in the approved application for the creation of the Zone."

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General Act

- ▶ Bill Summary
- ▶ New NRS Chapter (Section 1)
- ▶ Definitions (Sections 3-11)
- ▶ Preliminary Chapter of NRS (Sections 35 -36)

SUMMARY – Provides for the creation of Innovation Zones

AN ACT relating to economic development; providing for the creation, organization and governance of Innovation Zones created for the purpose of developing and advancing certain innovative technologies; and providing other matters properly relating thereto.

**General Act:
Legislation
authorizes but
does not
create an
Innovation
Zone**

New NRS Chapter (Section 1)

Substantive provisions (sections 2-34) are added to Title 22 of Nevada Revised Statutes (NRS) as a new chapter

NEVADA REVISED
STATUTES

TITLE 22 — COOPERATIVE AGREEMENTS BY PUBLIC AGENCIES; REGIONAL TRANSPORTATION COMMISSIONS; PLANNING AND ZONING; DEVELOPMENT AND REDEVELOPMENT	
Chapter 271	Local Improvements
Chapter 271A	Tourism Improvements
Chapter 271B	Economic Diversification
Chapter 274	Zones for Economic Development
Chapter 277	Cooperative Agreements: State, Counties, Cities, Districts and Other Public Agencies
Chapter 277A	Regional Transportation Commissions
Chapter 277B	Inland Port Authority Act
Chapter 278	Planning and Zoning
Chapter 278A	Planned Development
Chapter 278B	Impact Fees for New Development
Chapter 278C	Tax Increment Areas
Chapter 279	Redevelopment of Communities
Chapter 279A	Rehabilitation of Property in Residential Neighborhoods
Chapter 279B	Rehabilitation of Abandoned Residential Property
Chapter 280	Metropolitan Police Departments

Definitions for New Chapter

- ▶ Section 4: "Applicant"
- ▶ Section 5: "Blockchain"
- ▶ Section 6: "Board"
- ▶ Section 7: "Executive Director"
- ▶ Section 8: "Innovation Zone" or "Zone"
- ▶ Section 9: "Innovative technology"
- ▶ Section 10: "Office"
- ▶ Section 11: "Qualified Developer"

"Innovation Zone" or "Zone"

An area created pursuant to this chapter to develop or advance innovative technology.

"Innovative technology"

Any new or emerging technology, or novel use of an existing technology, to address a problem or provide a benefit in government administration, government services, nonprofit organizations or private enterprise in this State.

Preliminary Chapter of NRS

NRS 0.010 – Scope of Chapter

Provides definitions and declarations of legislative intent which apply to NRS as a whole

NRS 0.0305

Section 35 – Adds “the Board of Supervisors of an Innovation Zone” to the term “board of county commissioners” or “board”

NRS 0.033

Section 36 – Adds “an Innovation Zone” to the term “county”

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Application Process

- ▶ List of Innovative Technologies Acceptable for Application (Section 12)
- ▶ Application (Section 13)
 - ▶ Requirements for Eligibility of Proposed Area
 - ▶ Rigorous Application Requirements
- ▶ Public Hearing, Amendments & Timelines (Section 14)
- ▶ Freeze on Actions against Property (Section 15)

Application Process



► List of innovative technologies accepted for application

(Section 12)

- May be expanded by Governor's Office of Economic Development (GOED) by regulation if meets definition of innovative technology

► Application (Section 13)



- Apply to GOED for approval
- Use required forms
- Rigorous requirements

List of Innovative Technologies

- ✓ Blockchain
- ✓ Autonomous technology
- ✓ The Internet of things
- ✓ Robotics
- ✓ Artificial intelligence
- ✓ Wireless technology
- ✓ Biometrics
- ✓ Renewable resource technology

Requirements for Eligibility of Proposed Area (Section 13)

- ▶ At least 50,000 contiguous acres of undeveloped land
- ▶ Owned or controlled by the applicant
- ▶ Located within a single county
- ▶ Not part of a city, town, tax increment area or redevelopment area established by law
- ▶ No permanent residents

(Subsection 2 of Section 13)

Rigorous Application Requirements (Section 13)



- ▶ Innovative technology to be developed and used in Zone
- ▶ Applicant's specialized knowledge/experience
- ▶ Comprehensive general plan:
 - ▶ Infrastructure/residential, commercial, and industrial land uses
 - ▶ Employment estimates – including construction and businesses –10 and 20 years after approval
 - ▶ Incorporating innovative technology throughout the Zone
- ▶ Identification of qualified developer

(Subsection 1 of Section 13)



GUIDING VISION: Comprehensive General Plan

Board must develop Zone and use of Innovative Technology in accordance with the approved general plan (Section 19)

Rigorous Application Requirements (Section 13)



- ▶ Major capital investment
 - ▶ At least **\$250 million** investment within Zone before application
 - ▶ Commitment to additional **\$1 billion** investment in the Zone in next 10 years
- ▶ Ability to secure necessary public utilities and natural resources
- ▶ Economic impact – 10 and 20 years after approval
- ▶ Contingent on enactment of legislatively-approved industry-specific tax/fee
- ▶ Reports to State (Section 34)

(Subsection 1 of Section 13)

Tax/fee on Innovative Technology

- Separate legislation
- Specifically indicates tax/fee qualifies for purpose of creating an Innovation Zone

Application Process

Public Hearing, Amendments & Timelines (Section 14)

- Public hearing - 60 days after application filed
- May amend application or general plan
- Decision – Within 30 days after public hearing

Freeze on Actions against Property (Section 15)

- No new restrictions on land or special district may be established after application filed
- Actions within a year before filing may be voided by Zone's Board of Supervisors

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Initial Operations After Approval

- ▶ Effect of Approval (Section 16)
- ▶ Board of Supervisors (Section 17)
- ▶ Salaries of Board Members, Officers & Employees (Section 18)
- ▶ Duties, Responsibilities and Limitations of Board Members, Officers, Employees (Section 19)
- ▶ Authorized Taxes and Fees (Section 20)
- ▶ Judicial District and Justice Court (Sections 21 and 37)
- ▶ County Offices – Permissive (Section 22)

Effect of Approval (Section 16)

- ▶ Local government and political subdivision of State
- ▶ Existing county ordinances and responsibility to provide services continue until Board exercises its authority
- ▶ Cannot impair any outstanding bonds or other obligations
- ▶ Existing General Improvement Districts (GID):
 - ▶ No modification of existing GID boundaries
 - ▶ Zone Board exercises existing statutory authority of a board of county commissioners

★ ***Except* as limited by the bill**

★ **Still undeveloped/
uninhabited land**

Board of Supervisors (Section 17)

- Appointed by Governor
- Three members:
 - Two from applicant nominees
 - Third based on qualifications and experience
- **No pecuniary interest** in applicant or commitment in a private capacity to applicant's interests
- **Nevada residents**
- **Removal** for malfeasance or nonfeasance



INDEPENDENT Governing Board

- **Appointed**
- **Independent** of applicant
- **Public officers** - subject to same laws as other political subdivisions
- **Limitations** on authority, including certain taxes

(Sections 17 and 19)

Salaries of Board Members, Officers & Employees (Section 18)



Board Members

To the extent money is available

Same amount as county commissioners



Zone Officers and Employees

Salaries established by Board

Commensurate with similar public officers and employees

Initial Operations After Approval

Board Members, Officers, Employees: Duties, Responsibilities and Limitations (Section 19)

Subsections

1

- Subject to laws applicable to political subdivisions

2

- Limitations on taxation authority

3

- No impairment of contracts

4

- Use Innovative technology in development and governance

Board Members, Officers, Employees: Duties, Responsibilities and Limitations (Section 19)

Subject to laws applicable to political subdivisions, including without limitation:
(subsection 1)

- ▶ Limitations on liability
- ▶ Public records
- ▶ Open meeting law
- ▶ Ethics in government
- ▶ Public officers and employees generally - eligibility for office and employment, hours, compensation, financial disclosure, whistleblower protections

Board Members, Officers, Employees: Duties, Responsibilities and Limitations (Section 19)

Limitations
on taxation
authority
until
assumes all
of duties of
surrounding
county:
(subsection 2)

- ▶ **Prohibited Taxes:** May not impose property taxes, fuel taxes, or sales or use taxes
- ▶ **Taxes for Services:** May not impose taxes for a service unless Zone has assumed responsibility for the service
- ▶ **C-tax:** No distribution from the Local Government Tax Distribution Account

Board Members, Officers, Employees: Duties, Responsibilities and Limitations (Section 19)

No impairment
of contracts
(subsection 3)

- ▶ Contractual obligations and restrictions remain in effect
- ▶ Board may assume obligations or negotiate modifications

Board Members, Officers, Employees: Duties, Responsibilities and Limitations(Section 19)

Use Innovative
Technology in
Development and
Governance

(subsection 4)

➤ Required policies

Facilitate development of Zone and use of the innovative technology in government, nonprofits, and private enterprise consistent with general plan in the approved application

➤ Amendments to general plan

Must not conflict with Zone's purpose to develop and advance the innovative technology for which it was created

Guiding Vision ★

Authorized Taxes and Fees (Section 20)

Generally	Same taxes/fees a county may impose <u>except</u> property taxes, fuel taxes, or sales or use taxes (Section 19)
Taxes or Fees for Services	60-days notice to county before assume service Tax/fee takes effect when Zone takes over service
Other Revenue	Business license department Development agreements

Judicial District and Justice Court (Section 21 & 37)

▶ Judicial District



- ▶ Remains in the judicial district of the county
- ▶ Annual payments to county for support of district court

▶ Justice Court - Permissive

- ▶ Board may establish a justice court
- ▶ Notice to county and justice court
- ▶ Jurisdiction over cases filed after creation of justice court

County Offices – Permissive (Section 22)

- ▶ Board may assume duties and provide services of one or more offices.
- ▶ Board may:
 - ▶ Create offices and consolidate offices
 - ▶ Enter cooperative agreement with any local government in State
- ▶ **Appointees**
 - ▶ Nevada residents
 - ▶ Meet statutory requirements for office
 - ▶ Removed for malfeasance or nonfeasance
- ▶ **30-days notice:** Must give 30-days notice to the county and county officer
- ▶ **Election duties:** Cannot assume until the Zone holds elections

COUNTY OFFICES

Include:
Clerk
Recorder
Sheriff
Treasurer
Assessor
Auditor
District Attorney
Public Administrator

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Innovation Zone Assumes All County Services

- ▶ Zone Prepared to Assume All County Duties (Section 23)
- ▶ Impact on County Authority – July 1 (Section 24)
- ▶ Mandatory – Justice Court & All County Offices (Section 25)
- ▶ Optional – K-12 Education (Sections 26 and 28)
- ▶ Tax Requirements (Sections 27, 29, 30, 31 and 38)

Zone Prepared to Assume All County Duties (Section 23)

- ▶ **When:** Board determines it is prepared to assume all duties of the county
- ▶ **Required notice:** Must give notice to county by April 1 of its intent to take over county duties effective July 1
- ▶ **School district - optional:** May elect to take over that year or a subsequent year after providing required notice to board of trustees for the school district

Mandatory Period
Previously, Board was allowed to take over county duties and services gradually

90 Days Notice
Allows county and Zone time to prepare for the transfer at the start of a fiscal year

Impact on County Authority (Section 24)

- ▶ **Effective July 1 after Board gives notice:**
 - ▶ County authority over Innovation Zone and that of all county officers eliminated (except for elections)
 - ▶ County taxing authority within Zone eliminated
 - ▶ County ordinances in the Zone void
 - ▶ Board must ensure it has adopted all necessary ordinances before July 1

**Starting July 1,
surrounding county
no longer has
authority or
responsibility to
provide services in
the Zone**

Innovation Zone Assumes All County Services

Mandatory – Justice Court & All County Offices (Section 25)

On or before July 1 after notice:

Justice
Court

- Must establish if not previously formed

County
Offices

- Must assume duties if not previously assumed
- Same options, including creating office, consolidating offices, contracting with other local governments

Optional – K-12 Education (Sections 26, 28 and 39)

IF assumes duties of the school district:



- ▶ Board is deemed board of trustees for the Innovation Zone school district
- ▶ Options for providing education:
 - ▶ Establish public schools;
 - ▶ Contract with charter schools;
 - ▶ Cooperative agreement with another district; or
 - ▶ Any combination thereof.

State Education Fund Distributions

Money follows the student – If assumes, receives funding. If not, stays with county.

Innovation Zone Assumes All County Services

Tax Requirements (Sections 27, 29, 30, 31 and 38)

Property Taxes

- Impose at maximum rate
- Annual hold-harmless payment to county

Sales or Use Taxes & Fuel Taxes

- Match county rate
- Intent – No harm to county/
avoid price competition

C-Tax

- Zone receives only amount generated in prior fiscal year
- Same as enterprise zones

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Elections in the Innovation Zone

- ▶ Required Election of Board Members/Zone Offices/Justice of the Peace (Section 32)
- ▶ Authorized Election of Board of School Trustees (Section 33)

Required Election of Board Members/Zone Offices/Justice of the Peace (Section 32)

- ▶ **Election Threshold:** 100 registered voters residing in Zone at the beginning of an election year (January 1)
- ▶ **Terms of Office** – Align with county elections. Begin on first Monday of January following election
- ▶ **Elections, Powers and Duties** – Elected like county officers. Once elected same powers and duties of corresponding county officer

No residents when Zone is created. As residents move in, vote in county elections until meet threshold

Residency requirement applies

Authorized Election of Board of School Trustees (Section 33)

If Board has elected to assume responsibility for education in the Zone

- ▶ **General Election** – May conduct election for board of school trustees for the Zone at next general election
- ▶ **Structure** – 3 trustees/4-year terms
- ▶ **Assumes Duties** – Elected board of school trustees assumes duties for education in the Zone previously assumed by Board

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Legislative Oversight

- ▶ Biennial Report to the Legislature and Governor's Office of Economic Development (Section 34)
- ▶ Legislative Action/Control

Legislative Oversight

Biennial Report to the Legislature and Governor's Office of Economic Development (Section 34)



- ▶ Capital investment in Zone
- ▶ Physical progress in developing infrastructure
- ▶ Progress in securing financing
- ▶ Employment in Zone
- ▶ Licensed businesses in Zone
- ▶ Economic impact
- ▶ Revenue from innovative technology tax/fee
- ▶ General plan amendments
- ▶ Use and advancement of innovative technology in the Zone

On or before December 31 of each even-numbered year

Legislative Action/Control



- ▶ Legislation authorizing Innovation Zones (BDR 22-1109)
- ▶ Separate legislation creating industry-specific tax/fee
 - ▶ Imposed on innovative technology to be used within the Zone
 - ▶ Specifies that the tax/fee qualifies for creation of a Zone
 - ▶ Required for approval to create an Innovation Zone
- ▶ **Each Legislative Session:**
 - ▶ Biennial Report on Innovation Zone
 - ▶ Legislative action

Technical Sections:

- ▶ **Severability clause** (Section 40)
- ▶ **Effective date:** Upon passage and approval (Section 41)