

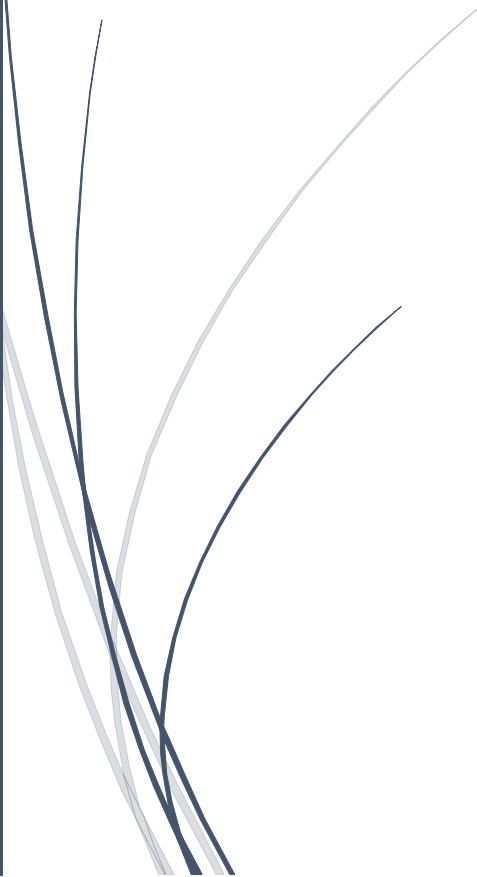


September 2021

Legislative Proposal to Authorize Creation of Innovation Zones in Nevada

Background Information

Joint Special Committee to Conduct a
Study Concerning Innovation Zones
(SCR11)



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LEGISLATIVE PROPOSAL TO CREATE INNOVATION ZONES IN NEVADA

Background Information

- A. Nevada Legislative Counsel Bureau (LCB) Legal Draft – Provides for the creation of Innovation Zones (BDR 22-1109)
- B. Summary of Nevada Bill Draft Authorizing Creation of Innovation Zones (section-by-section)
- C. PowerPoint Presentation: Overview of Nevada Bill Draft Authorizing Creation of Innovation Zones (September 2021)
- D. Innovation Zone FAQs
- E. Economic Impact Study: *Opportunity and Innovation in Nevada*

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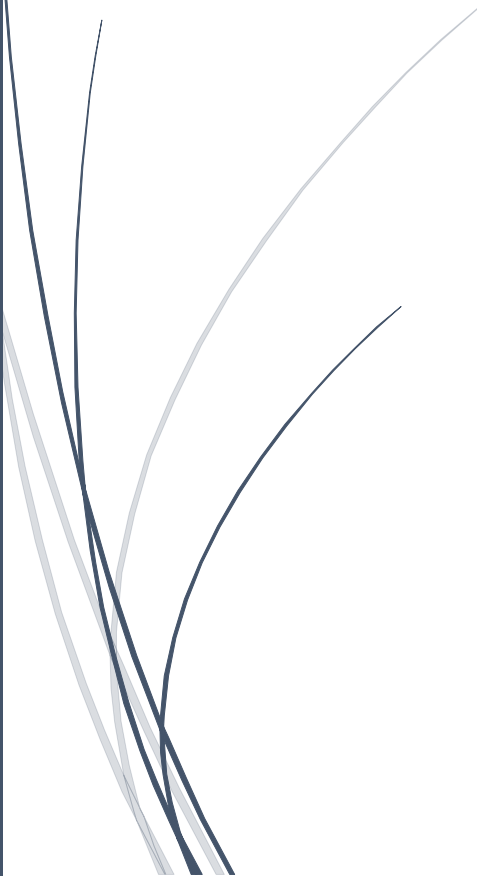
ATTACHMENT A

Nevada Legislative Counsel Bureau (LCB) Legal Draft – Provides for the creation of Innovation Zones (BDR 22- 1109)

Background Information

Joint Special Committee to Conduct a Study
Concerning Innovation Zones (SCR11)

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No 2/3s Vote Required

No Unfunded Mandate

LEGAL DRAFT

SUMMARY—Provides for the creation of Innovation Zones. (BDR 22-1109)

FISCAL NOTE: Effect on Local Government: May have Fiscal Impact.

Effect on the State: Yes.

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

Legislative Counsel’s Digest:

Section 13 of this bill authorizes a person to submit an application to the Office of Economic Development for the approval of the creation of an Innovation Zone, which is defined by **section 8** of this bill as an area created to develop or advance innovative technology. **Section 12** of this bill: (1) requires the Executive Director of the Office to accept as an innovative technology for which an Innovation Zone may be created blockchain, autonomous technology, the Internet of things, robotics, artificial intelligence, wireless technology, biometrics, renewable resource technology; (2) authorizes the Executive Director to designate any other technology as an innovative technology for which an Innovation Zone may be created if the technology satisfies the definition of “innovative technology” set forth in **section 9** of this bill.

Section 14 of this bill requires the Executive Director to hold a public hearing to consider an application for the creation of an Innovation Zone not later than 60 days after the date on which the Office receives a completed application for the creation of the Innovation Zone. Under **section 14**, the Executive Director is required to issue a decision concerning the application within 30 days after the conclusion of the public hearing, and the Executive Director is required to approve the application if the Executive Director finds that the application satisfies the requirements of **section 13**, which include, without limitation, requirements for a plan for the development of the Innovation Zone and requirements for investment in the Innovation Zone.

Under **section 16** of this bill, upon the approval of an application to create an Innovation Zone: (1) the Innovation Zone becomes a local government and a political subdivision of the State with the powers and duties of a county separate and independent of the county in which it is located; (2) the governing body of the Innovation Zone is a board of supervisors which has the same powers and duties of a board of county commissioners; and (3) the exercise of any power or duty, and the adoption of any ordinance, by the board of supervisors of the Innovation Zone supersedes any exercise of a power or duty, or adoption of an ordinance by the board of county commissioners of the county in which the Innovation Zone is created, except that the board of supervisors of the Innovation Zone is prohibited from adopting or superseding an ordinance that impairs any outstanding bonds or other obligations that were in existence on the date of the submission of the application to create the Innovation Zone. **Section 16** further provides that: (1) until the board of supervisors of the Innovation Zone exercises a power or duty or adopts an ordinance concerning a matter, the county in which the Innovation Zone is situated continues to have authority over that matter and the ordinances of the county continue to

apply; and (2) each officer of the county in which the Innovation Zone is located continues to have authority over the Innovation Zone and must continue to provide services within the Innovation Zone in the same manner as other areas of the county until the board of supervisors of the Innovation Zone elects to assume the authority of that county officer.

Section 17 of this bill provides for the appointment by the Governor of the initial board of supervisors of the Innovation Zone and requires such appointment to be made within 270 calendar days after the date of the creation of the Innovation Zone. Under **section 17**, the initial board of supervisors must consists of three members, two of whom must be appointed from a list of at least five nominees proposed by the applicant who applied for the creation of the Innovation Zone. **Section 32** of this bill provides for the election of members of the board of supervisors of the Innovation Zone and other officers of the Innovation Zone if there are 100 or more registered voters residing in the Innovation Zone on January 1 of any year in which a general election is held.

Section 21 of this bill provides that the judicial district of the county in which the Innovation Zone is located is the judicial district for the Innovation Zone and authorizes the establishment of a justice court in the Innovation Zone. **Section 22** of this bill authorizes the board of supervisors to create the offices of clerk, recorder, sheriff, treasurer, assessor, auditor, district attorney and public administrator for the Innovation Zone or to enter into a cooperative agreement with another local government in this State, including, without limitation, the county in which the Innovation Zone is located, to have that other government's offices perform those functions in the Innovation Zone.

Sections 23-25 of this bill establish the manner in which the board of supervisions of an Innovation Zone is authorized to assume all of the duties of the county in which it is situated and the

duties of the school district for the county. **Sections 26-30** of this bill provides for the imposition by the board of supervisors of the Innovation Zone of certain taxes within the Innovation Zone after the Innovation Zone has, pursuant to **section 23**, assumed all of the duties of the county in which it is situated and the duties of the school district for that county. **Section 33** of this bill authorizes the board of supervisors of an Innovation Zone to provide for the election of a board of school trustees for the Innovation Zone if the board of supervisors elects to assume the duties of the school district for the county in which the Innovation Zone is located.

Section 18 of this bill provides for the establishment of salaries to be paid to the officers and employees of the Innovation Zone, and **section 19** of this bill makes the officers and employees of the Innovation Zone subject to the same requirements as other public officers and employees, including, without limitation, the public records law, the open meeting law and ethics laws.

Existing law provides for the distribution of the proceeds of certain taxes to the Local Government Tax Distribution Account and for the distribution of money in the Account to local governments, enterprise districts and special districts. (NRS 360.600-360.740) **Sections 31 and 38** of this bill provide for the distribution to an Innovation Zone of tax proceeds from the Local Government Tax Distribution Account. Under **sections 31 and 38**, after an Innovation Zone imposes taxes which are distributed to the Account, an Innovation Zone would be allocated the amount of tax proceeds deposited in the Account from the taxes imposed within the Innovation Zone in the immediately preceding fiscal year.

Section 34 of this bill requires an Innovation Zone to submit a report concerning the Innovation Zone to the Office of Economic Development and the Legislature on or before December 31 of each even-numbered year.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Title 22 of NRS is hereby amended by adding thereto a new chapter to consist of the provisions set forth as sections 2 to 34, inclusive, of this act.

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.

Sec. 3. As used in this chapter, unless the context otherwise requires, the words and terms defined in sections 4 to 11, inclusive, of this act have the meanings ascribed to them in those sections.

Sec. 4. "Applicant" means a person who submits an application to establish an Innovation Zone.

Sec. 5. "Blockchain" has the meaning ascribed to it in NRS 719.045.

Sec. 6. "Board" means the Board of Supervisors of an Innovation Zone created pursuant to subsection 2 of section 16 of this act.

Sec. 7. "Executive Director" means the Executive Director of the Office.

Sec. 8. "Innovation Zone" or "Zone" means an area created pursuant to this chapter to develop or advance innovative technology.

Sec. 9. "Innovative technology" means 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.

Sec. 10. *“Office” means the Office of Economic Development.*

Sec. 11. *“Qualified developer” means a professional developer of real property with expertise and relevant experience in the design, development, master planning, financing and construction of major, mixed-use projects. Such a developer may be:*

- 1. A third party retained by the applicant; or*
- 2. The applicant or an affiliate of the applicant so long as the applicant or affiliate has retained or employed professionals with the requisite level of experience and expertise.*

Sec. 12. *1. For the purposes of this chapter, the Executive Director shall accept as innovative technology:*

- (a) Blockchain;*
- (b) Autonomous technology;*
- (c) The Internet of things;*
- (d) Robotics;*
- (e) Artificial intelligence;*
- (f) Wireless technology;*
- (g) Biometrics; and*
- (h) Renewable resource technology.*

2. The Executive Director may adopt, amend or repeal such regulations, consistent with the policy, objects and purposes of this chapter as deemed necessary or desirable in the public interest in carrying out the policy and provisions of sections 12 to 15, inclusive, and 17 of this act.

3. The Executive Director may, pursuant to regulations adopted in accordance with subsection 2, designate technology as being innovative for the purposes of this chapter if the Executive Director determines that the technology satisfies the definition of innovative technology in section 9 of this act.

4. If an applicant proposes an innovative technology that is not specified or has not previously been approved pursuant to subsection 1, the Executive Director shall not schedule a hearing on the application unless he or she first determines in accordance with subsection 3 that the proposed technology satisfies the definition of innovative technology in section 9 of this act.

Sec. 13. *1. An applicant must apply to the Office for the approval of the creation of an Innovation Zone. The application shall be made on such forms as the Executive Director may require or approve, and must include:*

(a) A description of the innovative technology to be developed and used in the Innovation Zone and the applicant's specialized knowledge of or experience with the technology.

(b) A comprehensive general plan to guide the development of the Zone. The plan must include:

(1) A description of the proposed development within the Zone, including the necessary infrastructure and the residential, commercial and industrial land uses of the Zone.

(2) An estimate of the number of employees anticipated to be engaged in construction of infrastructure, commercial developments, and residences within the Zone and the number of

employees anticipated to be employed by businesses within the Zone within 10 and 20 years after approval of the creation of the Zone.

(3) The manner in which the development within the Zone will incorporate the standards provided pursuant to the Leadership in Energy and Environmental Design Green Building Rating System or an equivalent rating system.

(4) The manner in which the development will incorporate innovative technology throughout the Zone.

(c) Identification of a qualified developer.

(d) Documentation satisfactory to the Office that the applicant has made a total capital investment of at least \$250 million within the territorial boundaries proposed for the Zone prior to submittal of the application.

(e) A commitment to make an additional capital investment of at least \$1 billion in the Zone during the 10 years following approval of the application.

(f) Certification by the applicant that the applicant has secured or can secure access to public utilities and natural resources necessary for the development proposed for the Zone.

(g) An estimate of the economic impact of the Innovation Zone within 10 and 20 years after the approval of the creation of the Zone.

(h) The industry-specific tax or fee that will be imposed upon the innovative technology or activity related to the innovative technology within the Innovation Zone and the estimated financial benefit to the State of the tax or fee. The legislation enacting the tax or fee must specifically indicate that it qualifies as an approved tax or fee for the purposes of this

paragraph and provide for the method of assessment and collection of the tax or fee. If the tax or fee is not in existence at the time of the application, approval of the creation of the Zone is contingent upon enactment of the tax or fee.

(i) A commitment to submit the reports required by section 34 of this act.

(j) Such other information as the Executive Director may prescribe by the form of the application.

2. To be eligible for approval as an Innovation Zone, the proposed area must:

(a) Consist of at least 50,000 contiguous acres of undeveloped land owned or controlled by the applicant.

(b) Be located within a single county.

(c) Not be part of a city, town, tax increment area or redevelopment area established by law.

(d) Not have any permanent residents on the date the application is submitted.

Sec. 14. *1. In accordance with the provisions of NRS 233B.121 to 233B.150, inclusive, the Executive Director shall hold a public hearing to consider an application submitted pursuant to section 13 of this act. The date of the public meeting must be not later than 60 days after the date on which the Office receives the completed application.*

2. The applicant may amend the application or the general plan included in the application prior to final action on the application by the Executive Director.

3. The Executive Director shall within 30 days after the conclusion of the hearing required by subsection 1 issue a decision in accordance with NRS 233B.125 and must approve

the application, including the general plan as submitted or amended, if the Executive Director finds that the application meets the requirements of section 13 of this act.

4. Prior to the date upon which all of the Supervisors of the Board have been appointed pursuant to subsection 1 of section 17 of this act, an applicant may request that the Executive Director amend a decision approving an application issued in accordance with subsection 3. The Executive Director shall process any request to amend a decision in the same manner as provided for an original application as provided in section 13 of this act.

5. Judicial review of any final action on the application or an application amendment by the Executive Director may be had in accordance with NRS 233B.130 to 233B.150, inclusive. The judicial review afforded by this subsection is the exclusive method of review of the final action on the application by the Executive Director.

Sec. 15. *1. Except as otherwise provided in subsection 2, after an applicant submits an application to create an Innovation Zone, unless the application is denied or withdrawn, no state agency or local government other than the Innovation Zone may within the Innovation Zone:*

- (a) Exercise the power of eminent domain or condemnation of any property;*
- (b) Create a local improvement district or otherwise seek to finance improvements pursuant to chapter 271 of NRS;*
- (c) Create a tourism improvement district pursuant to chapter 271A of NRS;*
- (d) Create an economic diversification district pursuant to chapter 271B of NRS;*
- (e) Designate a tax increment area pursuant to chapter 278C of NRS;*

(f) Designate an area as for redevelopment pursuant to chapter 279 of NRS;
(g) Create a general improvement district pursuant to chapter 318 of NRS; or
(h) Create a parks, trails or open space district pursuant to chapter 318A of NRS; or
(i) Pledge revenue from property or other taxes imposed within the Zone for the payment of general or special obligations,
↪ or otherwise seek to encumber property or exercise such powers within the Innovation Zone unless the encumbrance or exercise of such a power is approved by the Board.

2. Except as otherwise provided in subsection 3, the provisions of subsection 1 do not apply to:

(a) The pledge of revenue from taxes or the exercise of a power within the Innovation Zone before an application is filed.

(b) The authority of the State of Nevada to pledge revenue from taxes on all property within the State or other taxes imposed within the Innovation Zone for the payment of obligations of the State.

3. If any action described in subsection 1 was taken within 1 year before an application to create an Innovation Zone was submitted, that action is voidable with respect to property within the Innovation Zone at the discretion of the Board.

Sec. 16. *Except as otherwise provided in this chapter, upon approval of an application to create an Innovation Zone:*

- 1. The Innovation Zone becomes a local government and a political subdivision of the State with the powers and duties of a county separate from and independent of the county in which it is located.*
- 2. The governing body of the Innovation Zone shall be a Board of Supervisors, which shall have the powers and duties of a board of county commissioners.*
- 3. The exercise of any power or duty by the Board supersedes the exercise of that power or duty by the county in which the Innovation Zone is situated. The adoption of any ordinance by the Board of Supervisors supersedes any ordinance on the subject adopted by the board of county commissioners of the county in which the Innovation Zone is located. The Board shall not adopt or supersede an ordinance that impairs any outstanding bonds or other obligations for which the property was pledged as security that were in existence on the date the application to create the Innovation Zone was submitted.*
- 4. Until the Board exercises a power or duty or adopts an ordinance with respect to a matter, the county in which the Innovation Zone is situated continues to have authority over the subject and the ordinances of the county continue to apply. Until the Board assumes responsibility for a service provided by the county, the county shall continue to provide that service.*
- 5. Each officer of the county in which the Innovation Zone is situated continues to have authority over the Innovation Zone and shall continue to provide services within the Zone on parity with any other location of the county until the Board elects to assume the authority of that county officer pursuant to section 22 or 25 of this act.*

6. Subsection 1 of section 16 of this act does not modify the boundaries of any general improvement district governed by chapter 318 of NRS existing on the date the application was submitted pursuant to section 13 of this act. The Board of Supervisors shall exercise the authority of a board of county commissioners specified in NRS 318.050 as to any territory within the Zone that is also within such boundaries of a general improvement district.

Sec. 17. 1. As soon as practicable after the approval of the creation of an Innovation Zone, the Governor shall appoint the initial Board, provided that such appointments shall be made within 270 calendar days after the date of creation of the Innovation Zone. The Board consists of three members, two of whom must be appointed from a list of at least five nominees proposed by the applicant. The third member of the Board must be appointed by the Governor based upon qualifications and experience that would enable the person appointed to carry out the duties of the Board. All of the members of the Board must be residents of the State of Nevada. No member of the Board may have a pecuniary interest in the applicant or a commitment in a private capacity to the interests of the applicant.

2. Except as otherwise provided in section 32 of this act:

(a) The Governor shall appoint two of the initial members of the Board to 2-year terms and one member to a 4-year term. The members thereafter serve terms of 4 years and may be reappointed.

(b) New members must be appointed in the same manner as the original members.

(c) The Governor may pursuant to NRS 232A.030 remove a member for malfeasance or nonfeasance in the performance of his or her duties. The Governor shall provide the member

45 days' notice of the removal unless the Governor determines that circumstances warrant immediate removal.

(d) If for any reason there is a vacancy in the office of Supervisor, the Governor shall appoint a successor for the member's unexpired term of office.

3. The members of the Board shall select a chair. Two members of the Board constitute a quorum.

4. Members of the Board are public officers for the purposes of chapter 281A of NRS.

Sec. 18. *1. The Board shall establish the salaries to be paid to the officers and employees of the Zone, justices of the peace and members of the Board of School trustees if one is established. The salaries must be reasonable and at least commensurate with similarly situated public officers and employees.*

2. To the extent that money is available for this purpose, members of the Board are entitled to the salary paid to county commissioners in the county in which the Innovation Zone is situated and the per diem allowance and travel expenses provided for county officers and employees generally.

3. The salaries of elected officers other than members of the Board:

(a) Must be established before the beginning of the period for filing for the respective offices.

(b) Must not be increased or decreased during the terms to which they are elected.

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.

Sec. 20. *1. Except as otherwise provided in section 19 of this act, the Board may impose any taxes or fees authorized to be imposed by a county. If the tax or fee supports a service being provided by the county in which the Innovation Zone is situated, the Board shall provide 60 days' notice to the county of the intention of the Board to assume responsibility for the service and impose the tax or fee. The tax or fee may not take effect before the Board assumes*

responsibility for the service and the county in which the Zone is situated may not thereafter impose the tax or fee within the Zone.

2. Notwithstanding the provisions of chapter 364 of NRS, if the Board licenses businesses within the Zone pursuant to chapter 244 of NRS and imposes a license tax, the Board may by ordinance:

(a) Establish a county license department or assume the duties of a county license department itself; and

(b) Designate the manner of collection of the tax, issuance of the license and depositing the revenues from the license tax.

3. If the Board enters into an agreement pursuant to NRS 278.0201 or any other statute to develop land within the Innovation Zone, the agreement may include a provision for a payment for the support of the Innovation Zone. Any such payment must be used to pay the costs authorized to be incurred by the Innovation Zone pursuant to this chapter.

Sec. 21. *1. The judicial district of the county in which the Innovation Zone is located is the judicial district for the Innovation Zone.*

2. The Board may establish a justice court. Upon establishment of the justice court, the Zone shall be deemed a township for the purposes of chapter 4 of NRS. Until the Board establishes a justice court, the Zone is subject to the jurisdiction of the justice court for the township in which the Innovation Zone is situated.

3. If the Board, establishes a justice court:

(a) The Board shall provide notice to the board of county commissioners of the county in which the Innovation Zone is situated and the justice court whose jurisdiction is being assumed at least 60 days before the date the creation of the justice court for the Zone takes effect.

(b) The justice court for the Innovation Zone has jurisdiction over cases filed on or after the date that the creation of the justice court takes effect. The justice court for the township in which the Innovation Zone is situated retains jurisdiction over any case filed before that effective date.

(c) The Board shall appoint as justice of the peace a resident of this State who, other than residency, meets the requirements for office specified in NRS 4.010.

(d) The initial term of office of the justice of the peace ends on the first Monday of the January following the next general election. Except as otherwise provided in section 32 of this act, thereafter the justice of the peace serves a term of office of 6 years.

Sec. 22. 1. *The Board may perform the duties and provide the services of county offices, including without exception the offices of county clerk, county recorder, sheriff, county treasurer, county assessor, county auditor, district attorney and public administrator in the manner provided in this section.*

2. *The Board may create one or more of the offices specified in subsection 1 as Innovation Zone office, and may consolidate the offices into one or more offices if it finds that such consolidation would be in the best interest of the Innovation Zone. Until elections are held pursuant to section 32 of this act, the Board shall appoint to these offices residents of this*

State who, other than residency, meet the requirements for appointment to these offices pursuant to chapters 246 to 253, inclusive, of NRS. The initial term of office of a person appointed pursuant to this section ends on the first Monday of January following the year of the next general election in which county officers are elected. Except as otherwise provided in section 32 of this act, the officers thereafter serve terms of 4 years. The Board may pursuant to NRS 283.440 remove an officer appointed pursuant to this section for malfeasance or nonfeasance in the performance of his or her duties. The Board shall provide the officer 45 days' notice of the removal unless the Board determines that circumstances warrant immediate removal. If for any reason there is a vacancy in an office, the Board shall appoint a successor for the officer's unexpired term of office.

3. In lieu of creating one or more of the offices specified in subsection 1, the Board may enter into a cooperative agreement with any local government in this State, including the county in which the Innovation Zone is situated or another local government within the county, to have that government's officer or officers provide the services and perform the duties of their respective offices within the Innovation Zone. If the Board enters into such an agreement, the officer or officers shall be deemed to be county officers within the Innovation Zone and have the authority within the Innovation Zone that such officers have within a county. Such an agreement must provide that the agreement terminates upon the election of a person pursuant to section 32 of this act to the office subject to the agreement.

4. If the Board elects to perform duties and provide the services of a county officer pursuant to this section before notice is given pursuant to section 23 of this act, the Board

shall provide notice to the board of county commissioners of the county in which the Innovation Zone is situated and the county officer whose duties are being assumed at least 30 days before assuming the duties of that officer. On the effective date of the assumption of the duties, the person designated to assume those duties pursuant to subsection 2 or 3 has all of the powers of the county officer within the Innovation Zone and the county officer no longer has authority within the Innovation Zone, unless the agreement to assume the duties is made with that county officer.

5. A county officer whose duties are assumed within an Innovation Zone pursuant to this section shall cooperate with the person assuming those duties with any necessary transition to ensure that the transition is effective and efficient.

6. The Board shall not assume the duties of a county clerk or registrar of voters with respect to elections for registered voters in the Innovation Zone until an election is held pursuant to section 32 of this act.

Sec. 23. *1. When the Board of Supervisors of an Innovation Zone determines that it is prepared to assume within the Zone all of the duties of the county in which it is situated, the Board shall give notice of its intent to do so to the board of county commissioners for the county. If the Board determines that it is prepared to assume within the Zone the duties of the school district for the county and chooses to do so, the Board shall also give notice of its intent to do so to the board of trustees of the school district for the county.*

2. The notices required by subsection 1 must be given on or before April 1 preceding the start of the fiscal year in which the assumption of duties will occur. Except as otherwise

provided in this chapter, the assumption of those duties and the provisions of sections 24 to 31, inclusive, of this act take effect on July 1 following the date of the notice.

3. If the Board does not choose to assume the duties of the school district at the time it assumes the duties of the county, it may elect to do so in any subsequent year by providing notice to the board of trustees for the school district on or before April 1 preceding the start of the fiscal year in which the assumption of duties will occur.

Sec. 24. Except as otherwise provided in this chapter, on July 1 following the date of the notice given pursuant to section 23 of this act:

1. The board of county commissioners and the officers of the county within which the Innovation Zone is situated no longer have authority over the Innovation Zone and may not impose any taxes, fees or other charges within the Innovation Zone. The county clerk or registrar of voters shall continue to carry out the duties of that office with respect to elections for registered voters in the Innovation Zone until an election is required pursuant to section 32 of this act.

2. County ordinances no longer apply within the Innovation Zone. The Board of Supervisors shall review the ordinances of the county to ensure that it has adopted all ordinances necessary to the operation of the Zone before the date of the expiration of the county ordinances.

Sec. 25. 1. If the Board has not previously established a justice court pursuant to section 21 of this act, the Board shall establish a court in the manner provided in that section on or before July 1 following the date of the notice given pursuant to section 23 of this act.

2. If the Board has not previously assumed the duties of one or more county offices pursuant to section 22 of this act, the Board shall assume the duties of those offices in the manner provided in that section on or before July 1 following the date of the notice given pursuant to section 23 of this act.

Sec. 26. *1. If the Board of Supervisors has elected pursuant to section 23 of this act to assume within the Zone the duties of the school district for the county, and until the Board of Supervisors establishes a Board of School Trustees pursuant to section 33 of this act, the Board of Supervisors of an Innovation Zone has the authority of a board of trustees of a school district with respect to any pupils within the Zone. Beginning with the fiscal year that begins on July 1 following the date of the notice given pursuant to section 23 of this act, and except as otherwise provided in this chapter:*

(a) The Zone is entitled to any revenues that it would receive if it were a school district.

(b) The Board shall impose and collect property taxes levied for the support of a school district and, except as otherwise provided in sections 27 and 28 of this act, that revenue must be administered in the same manner that revenue collected by a county for the support of its school district is administered.

(c) For the purposes of laws relating to school districts, the Innovation Zone shall be deemed a school district.

(d) For the purposes of laws relating to boards of trustees of school districts, the Board of Supervisors shall be deemed the board of trustees of the Innovation Zone school district.

2. To provide education to pupils within the district, the Board may:

- (a) Establish one or more public schools within the Zone;*
- (b) Establish or contract with one or more charter schools;*
- (c) Enter into a cooperative agreement with a school district in this State, including the school district for the county in which the Zone is situated; or*
- (d) Any combination of paragraphs (a), (b) and (c).*

Sec. 27. 1. The Board shall impose an ad valorem tax upon property within the Zone at the maximum rate allowed by statute, beginning with the fiscal year that begins on July 1 following the date of the notice provided pursuant to section 23 of this act. The levy must include the tax imposed pursuant to NRS 387.195 and any other tax required to be imposed by a county upon property within the county.

2. Except as provided in this section, from the revenue collected pursuant to subsection 1, the Board shall pay to the county in which the Innovation Zone is situated:

(a) The amount of ad valorem taxes the county imposed on property within the Innovation Zone for the fiscal year in which the notice provided pursuant to section 23 of this act was given, minus the amount imposed by the county on behalf of the State of Nevada and the amount imposed pursuant to NRS 387.195 in that fiscal year; and

(b) An amount determined as follows:

(1) Applying the tax rate in effect for the payment of obligations of the county or the school district in which the Innovation Zone is situated for which the property within the Innovation Zone was pledged as security to the assessed valuation of the property for the fiscal year for which the tax is being imposed; and

(2) Deducting from that amount the amount that was imposed for that purpose in the fiscal year in which the notice provided pursuant to section 23 of this act was given.

3. The amount paid pursuant to paragraph (b) of subsection 2 must not include any amount that reflects obligations incurred after the notice is provided pursuant to section 23 of this act. After the amount owing for obligations described in paragraph (b) of subsection 2 has been paid, the amount of the payment pursuant to subsection 1 must be reduced by the amount that was imposed for that purpose for the fiscal year in which the notice was provided pursuant to section 23 of this act.

4. In lieu of making annual payments pursuant to subsection 2 reflecting the debt of property within the Innovation Zone for obligations of the county or the school district, the Innovation Zone may make a single payment to the county, the school district, or both, in an amount determined by:

(a) Dividing the assessed valuation of the property within the Innovation Zone in the fiscal year in which notice was given pursuant to section 23 of this act by the assessed valuation of the county in that fiscal year; and

(b) Multiplying that fraction by the obligation of the county or the school district, or both, on the date the notice was given.

↪ If the Innovation Zone makes a payment pursuant to this subsection, the amount paid pursuant to subsection 1 must thereafter be reduced by the amount that was imposed on the property for the obligations of the county or the school district, or both, in the fiscal year in which the notice was given pursuant to section 23 of this act.

5. For the purposes of NRS 244A.059 and any other law relating to limitations on indebtedness:

(a) The debt of the Innovation Zone must not be included in the debt of the county in which the Innovation Zone is situated.

(b) The assessed valuation of the property within the Innovation Zone must not be included in the assessed valuation of county in which the Innovation Zone is situated.

(c) The Innovation Zone is subject to limitations on indebtedness that would apply if the Innovation Zone were a county.

Sec. 28. *1. If the Board has elected pursuant to section 23 of this act to assume the duties of the school district for the county in which it is situated, distributions from the State Education Fund must be made to the Board on behalf of pupils within the Innovation Zone. If the Board has not made that election, distributions from the State Education Fund for pupils within the Innovation Zone must continue to be made to the county school district for the county in which the Innovation Zone is situated.*

2. The Board shall account separately for revenue received for the support of public education and use the money only for the purposes authorized in this chapter and Title 34 of NRS.

Sec. 29. *1. Beginning on July 1 following the date of the notice provided pursuant to section 23 of this act, the Board shall impose within the Innovation Zone all taxes on the sale or use of tangible personal property that are required to be imposed by or within a county. Except as otherwise provided in this chapter, the taxes must be imposed and administered and*

the revenue from the taxes must be distributed in the manner provided in the laws requiring their imposition.

2. In addition to the taxes imposed pursuant to subsection 1, the Board shall enact an ordinance imposing a tax on the sale or use of tangible personal property within the Innovation Zone at a rate that equals the difference between the combined rate that is in effect in the Innovation Zone on July 1 following the date of the notice provided in section 23 of this act and the amount imposed pursuant to subsection 1. The ordinance must include:

(a) Provisions substantially identical to those of the Local School Support Tax, insofar as applicable.

(b) A provision that all amendments to the provisions of the Local School Support Tax Law subsequent to the date of the enactment of the ordinance, not inconsistent with this chapter, automatically become a part of the ordinance.

(c) A provision that the Innovation Zone shall contract before the effective date of the tax ordinance with the Department of Taxation to perform all functions incident to the administration or operation of the tax.

3. The revenue from the tax imposed pursuant to subsection 2 must be paid the Innovation Zone and used for any purpose authorized by this chapter. The Innovation Zone may pledge the revenues to secure any bonds or other securities issued by the Innovation Zone.

4. The Board may impose any other tax on the sale or use of tangible personal property within the Innovation Zone that is authorized to be imposed by a county and use the revenue

from such a tax for the purposes for which it is allowed in the statutes authorizing the imposition of the tax. The Board shall impose any other tax on the sale or use of tangible personal property within the Innovation Zone that is subsequently required to be imposed by a county.

Sec. 30. *1. Beginning on July 1 following the date of the notice provided pursuant to section 23 of this act, the Board shall impose the following taxes to the extent that they are in effect on that date in the county in which the Innovation Zone is situated and at the rate imposed by the county:*

(a) Fuel taxes authorized by chapter 373 of NRS;

(b) A tax on fuel for jet or turbine-powered aircraft authorized by NRS 365.203; and

(c) A tax on aviation fuel authorized by NRS 365.203.

2. If any vote or other approval other than approval by the Board is required to impose one or more of the taxes imposed pursuant to subsection 1, the vote or approval previously conducted by the county in which the Innovation Zone is situated shall be deemed approval of the tax within the Innovation Zone.

3. The revenue from the tax or taxes imposed pursuant to subsection 1 may be used by the Innovation Zone for the purposes allowed in the statute or statutes authorizing or requiring their imposition.

4. In addition to the taxes imposed pursuant to subsection 1, the Board may impose any other taxes on motor vehicle fuel, fuel for jet or turbine-powered aircraft or aviation fuel that are authorized by statute.

5. The county in which the Innovation Zone is situated shall not issue a business license allowing the sale of motor vehicle fuel, fuel for jet or turbine-powered aircraft or aviation fuel within the Innovation Zone at any time after an applicant submits an application to create an Innovation Zone, unless the application is rejected or withdrawn. The Board shall not issue a business license for such a purpose until it imposes the taxes required pursuant to this section.

Sec. 31. *1. For the purposes of distributions from the Local Government Tax Distribution Account created pursuant to NRS 360.660, taxes collected within the Innovation Zone must be returned to the Innovation Zone in the manner provided in NRS 360.680.*

2. To the extent that revenue from the Local Government Tax Distribution Account was pledged for the payment of obligations of the county in which the Innovation Zone is situated on or before the date of the application to create the Zone, the Innovation Zone is responsible for an amount that reflects the proportion that the tax collected in the Innovation Zone in the fiscal year in which the application to create the Zone was submitted bears to the total amount of tax collected in the county in that year.

Sec. 32. *1. If on January 1 of any year in which a general election is held the county clerk or registrar of voters determines that there are 100 or more registered voters residing within the Innovation Zone, an Innovation Zone must conduct elections as provided in this section. The clerk or registrar shall notify the Board and transmit all necessary information concerning the registered voters in the district. The Board, or the clerk for the Zone if one has been appointed, shall conduct the election.*

2. The terms of the existing members of the Board end on the first Monday of January following the general election. Two of the new Supervisors must be elected to 2-year terms and one Supervisor must be elected to a 4-year term. The terms of office of the Supervisors begin on the first Monday of January following their election. Thereafter Supervisors must be elected to 4-year terms.

3. If the Board has created county offices pursuant to section 22 or 25 of this act, the terms of those officers end on the first Monday of January following the election. The Board may consolidate the county offices, including without limitation, the of county clerk, county recorder, sheriff, county treasurer, county assessor, county auditor, district attorney and public administrator, into one or more Zone offices if it finds that such consolidation would be in the best interest of the Innovation Zone. Those offices or the offices resulting from consolidation by the Board must be elected at the general election and serve initial terms of:

(a) Four years if the general election is held in a year in which the corresponding county officers are elected; and

(b) Two years if the general election is held in a year in which the corresponding county officers are not elected.

↪ After their initial terms of office, the officers serve terms of 4 years. The term of office of each officer begins on the first Monday of January following his or her election.

4. The term of office of the justice of the peace appointed pursuant to section 21 or 25 of this act ends on the first Monday of January following the general election. A justice of the peace must be elected at the general election and serves a term of 6 years, beginning on the

first Monday of January following the election. The justice or justices elected thereafter serve terms of 6 years.

5. Except as otherwise provided in this chapter:

(a) The provisions of law applicable to the election of county commissioners apply to the election of Supervisors.

(b) The provisions of law applicable to the election of county officers apply to the election of the corresponding officers of the Innovation Zone.

(c) The provisions of law applicable to the election of justices of the peace apply to the election of justices of the peace in the Innovation Zone.

(d) The persons elected pursuant to this section must meet the requirements for election to the corresponding county offices, or if such offices are consolidated pursuant to subsection 3, all the requirements for election to the consolidated office, and shall have the powers and duties of those corresponding officers, including when any offices are consolidated.

Sec. 33. 1. At any time after an election is held pursuant to section 32 of this act, if the Board of Supervisors has elected to assume the duties of the school district for the county in which the Innovation Zone is situated, the Board may provide for the election of a Board of School Trustees for the Innovation Zone at the next general election. The Board of School Trustees for the Innovation Zone must consist of three trustees. Two of the trustees must be elected to an initial term of 2 years and one of the trustees must be elected to an initial term of 4 years, beginning on the first Monday of January following the general election at which they are elected. Trustees elected thereafter serve terms of 4 years.

2. The Board of School Trustees for the Innovation Zone shall assume the duties of the Board pursuant to section 26 of this act with respect to the education of pupils within the Innovation Zone. Except as otherwise provided in this chapter, for the purposes of laws relating to boards of trustees of school districts, the Board of School Trustees for the Innovation Zone shall be deemed the board of trustees of the Innovation Zone school district.

Sec. 34. *1. An Innovation Zone shall submit a report to the Office and the Legislature on or before December 31 of each even-numbered year.*

2. The report must include:

(a) The amount of the capital investment in the Zone since the creation of the Zone and the last report;

(b) The physical progress in developing the infrastructure for the Zone and the progress in securing necessary financing for such development since the creation of the Zone and the last report;

(c) An estimate of the number of employees engaged in construction of commercial developments and residences within the Zone and the number of employees employed by businesses within the Zone since the creation of the Zone and the last report;

(d) The businesses that have been licensed within the Zone since the creation of the Zone and the last report;

(e) An estimate of the economic impact of the Innovation Zone;

(f) The amount of revenue generated by the tax or fee imposed specifically upon the innovative technology in the Zone and an estimate of revenue generated for the State from taxes imposed within the Zone;

(g) Any amendments to the general plan for the Zone since the last report; and

(h) A description of the use of the innovative technology in the Zone and how the innovative technology is being advanced in the Innovation Zone.

3. The report must be certified by the applicant or the applicant's successor in interest.

Sec. 35. NRS 0.0305 is hereby amended to read as follows:

0.0305 The term “board of county commissioners,” or “board,” when referring to the boards of county commissioners of the several counties, includes the Board of Supervisors of Carson City **H** *and the Board of Supervisors of an Innovation Zone.*

Sec. 36. NRS 0.033 is hereby amended to read as follows:

0.033 1. Whenever used in the Statutes of Nevada and Nevada Revised Statutes, the term “county” includes Carson City **H** *and an Innovation Zone.*

2. Except as limited by the Charter of Carson City or by ordinances enacted by authority thereof, those provisions of the Statutes of Nevada or Nevada Revised Statutes which refer to the several counties apply equally to Carson City.

3. Except as limited by sections 4 to 34, inclusive, of this act, or by ordinances enacted by authority thereof, those provisions of the Statutes of Nevada or Nevada Revised Statutes which refer to the several counties apply equally to an Innovation Zone.

Sec. 37. Chapter 3 of NRS is hereby amended by adding thereto a new section to read as follows:

If an Innovation Zone is formed within a county, each year the Innovation Zone shall pay to the county an amount determined by dividing the assessed valuation of the property within the Innovation Zone by the assessed valuation of the county, including the Innovation Zone, and multiplying that fraction by the County's budget for the support of the District Court for that fiscal year.

Sec. 38. NRS 360.680 is hereby amended to read as follows:

360.680 1. On or before July 1 of each year, the Executive Director shall allocate to each ~~enterprise~~ :

(a) Innovation Zone the amount deposited in the Account from taxes imposed within the Zone in the immediately preceding fiscal year.

(b) Enterprise district an amount equal to the amount that the enterprise district received from the Account in the immediately preceding fiscal year.

2. Except as otherwise provided in NRS 360.690 and 360.730, the Executive Director, after subtracting the amount allocated ~~to each enterprise district~~ pursuant to subsection 1, shall allocate to each local government or special district which is eligible for an allocation from the Account pursuant to NRS 360.670 an amount from the Account that is equal to the amount allocated to the local government or special district for the preceding fiscal year multiplied by 1 plus the average percentage change in the Consumer Price Index (All Items) over the 5 calendar years immediately preceding the year in which the allocation is made.

Sec. 39. NRS 392.010 is hereby amended to read as follows:

392.010 Except as to the attendance of a pupil pursuant to NRS 388.820 to 388.874, inclusive, 388E.105 or 392.015, or a pupil who is ineligible for attendance pursuant to NRS 392.4675 and except as otherwise provided in NRS 392.264 and 392.268:

1. The board of trustees of any school district may, with the approval of the Superintendent of Public Instruction:

(a) Admit to the school or schools of the school district any pupil or pupils living in an adjoining school district within this State or in an adjoining state when the school district of residence in the adjoining state adjoins the receiving Nevada school district; or

(b) Pay tuition for pupils residing in the school district but who attend school in an adjoining school district within this State or in an adjoining state when the receiving district in the adjoining state adjoins the school district of Nevada residence.

2. With the approval of the Superintendent of Public Instruction, the board of trustees of the school district in which the pupil or pupils reside and the board of trustees of the school district in which the pupil or pupils attend school shall enter into an agreement providing for the payment of such tuition as may be agreed upon, but transportation costs must be paid by the board of trustees of the school district in which the pupil or pupils reside:

(a) If any are incurred in transporting a pupil or pupils to an adjoining school district within the State; and

(b) If any are incurred in transporting a pupil or pupils to an adjoining state, as provided by the agreement.

3. In addition to the provisions for the payment of tuition and transportation costs for pupils admitted to an adjoining school district as provided in subsection 2, the agreement may contain provisions for the payment of reasonable amounts of money to defray the cost of operation, maintenance and depreciation of capital improvements which can be allocated to such pupils.

4. For the purposes of this section the “adjoining school district” of an Innovation Zone is either the school district of the county in which the Innovation Zone is created or a school district that adjoins the school district of the county in which the Zone is created.

Sec. 40. If any provision of this act or any application thereof to any person, thing or circumstance is held invalid, such invalidity shall not affect the provisions or applications of this act which can be given effect without the invalid provision or application, and to this end the provisions of this act are declared to be severable.

Sec. 41. This act becomes effective upon passage and approval.

ATTACHMENT B

Summary of Nevada Bill Draft Authorizing Creation of Innovation Zones (section-by-section)

Background Information

Joint Special Committee to Conduct a Study
Concerning Innovation Zones (SCR11)

September 2021

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SUMMARY OF NEVADA BILL DRAFT AUTHORIZING CREATION OF INNOVATION ZONES

LCB LEGAL DRAFT – BDR 22-1109

(Updated August 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.

Sec. 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.

Sec. 2. Adds a legislative declaration regarding the creation of Innovation Zones.

Sections 3-11 Definitions.

Sec. 12. List of innovative technologies, which may be expanded if the technology meets the definition.

Sec. 13. 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. 14. Public hearing and approval, and authority to amend the plan.

Sec. 15. 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. 16-22. Effect of approval and operation until first trigger

Sec. 16. 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. 17. This section provides for the initial appointment of the Board of Supervisors by the Governor, removal, vacancies and selection of a chair. No member can have a pecuniary interest in the applicant or a commitment in a private capacity to the applicant's interests. The Supervisors continue to be appointed until elections are held under section 32.

Sec. 18. 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. 19. 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. 20. Subsection 1 provides that except as limited by section 19, 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. 21. 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. 22. 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. 23-31. Election by Board to assume all county duties and its consequences

Sec. 23. 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. 24. 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. 25. 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. 26. 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. 27. 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. 28. 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. 29. 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. 30. 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. 31. Subsection 1 of this section (along with section 38) 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. 32-33. Election of IZ Officers

Sec. 32. 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. 33. At any time after the election provided for in section 32, 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 26.

Sec. 34. Required Reporting

Sec. 34. 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. 34-41. Additional Provisions

Sec. 35-36. 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. 37. Requires the IZ to pay an amount annually to support the operation of the district court.

Sec. 38. The C-tax section (along with section 31). 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. 39. 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. 40. Severability clause.

Sec. 41. Effective date (P&A).



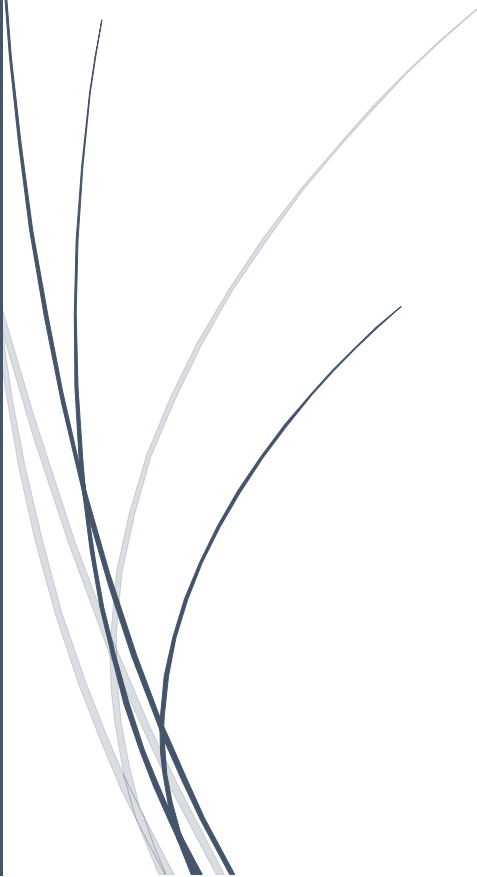
ATTACHMENT C

PowerPoint Presentation: Overview of Nevada Bill Draft Authorizing Creation of Innovation Zones (September 2021)

Background Information

Joint Special Committee to Conduct a Study
Concerning Innovation Zones (SCR11)

September 2021



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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

- ▶ 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.”

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.*

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.”

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.

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.”

2

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”

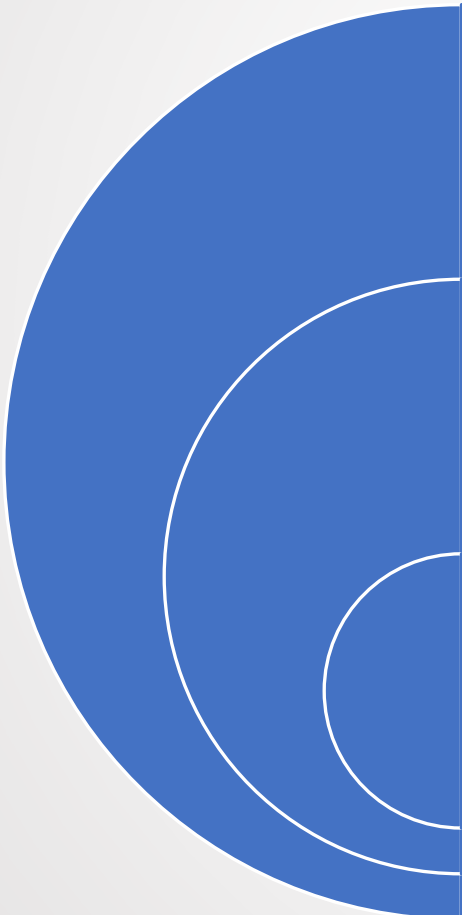
“Innovation Zone” or “Zone”

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	<u>Section 35</u> – Adds “ <i>the Board of Supervisors of an Innovation Zone</i> ” to the term “board of county commissioners” or “board”
NRS 0.033	<u>Section 36</u> – Adds “ <i>an Innovation Zone</i> ” to the term “county”

3

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

4

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

Initial Operations After Approval

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

Initial Operations After Approval

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

5

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**

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

6

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

7

Legislative Oversight

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

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)

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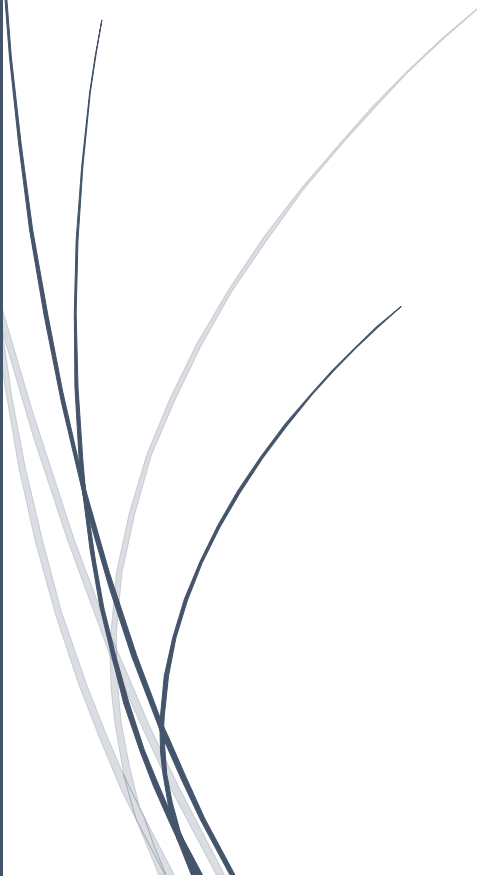
ATTACHMENT D

Innovation Zone FAQs

Background Information

Joint Special Committee to Conduct a Study
Concerning Innovation Zones (SCR11)

September 2021



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FREQUENTLY ASKED QUESTIONS

<https://innovationzonefacts.com/>

WHAT IS AN INNOVATION ZONE?

- An Innovation Zone (IZ) is a unique, new concept for a community, created to develop and advance innovative technology by integrating into every aspect of the Zone.
- Nevada Innovation Zones will build on proven concepts from other states and countries and bring the latest thinking to make our State a worldwide magnet for innovative technology development.

WHO CAN CREATE AN INNOVATION ZONE? WHAT KINDS OF IDEAS QUALIFY OR STANDARDS NEED TO BE MET?

Nevada Innovation Zones will have to meet strong standards to be allowed. Applicants need to have a track record of experience in advanced technology, own a large parcel of undeveloped property, and agree to invest \$250 million as a start. They will also have to commit to investing a further billion dollars over 10 years and be subject to a tax on technology developed there.

WHY IS THIS LEGISLATION NEEDED? WHAT DOES IT DO?

Technology often moves faster than state laws can keep up. Innovation Zones are an effort by the State of Nevada to match regulation with the fast pace needed for innovation, while setting strict standards and charting a clear path forward.

WHY IS IT NECESSARY TO CREATE A SEPARATE FORM OF GOVERNMENT?

- Unlike our traditional towns and counties, an Innovation Zone is designed specifically as an incubator for technology development. The structure of an Innovation Zone will help support its goal of innovation and economic development without burdening local communities.
- A similar example is the development of Disney World in Florida. A traditional town or city lacked both the expertise and the resources to properly support a unique undertaking of that size and complexity. The Reedy Creek Improvement District was formed with much of the same authority and duties that local government usually has, but without the burden on local communities.

WHAT IMPACT WOULD THIS HAVE ON SURROUNDING COUNTIES?

- The goal of this type innovation is to create jobs, draw investment and create opportunity. Two big benefits will come in the early stages – construction jobs to build the Zone’s infrastructure and revenue to local vendors and businesses from that activity. Later on, the businesses and operations located in the Smart City will attract permanent, high-paying jobs to the area.
- The host county will also receive additional revenue to provide needed services to the IZ until its fully developed, services that will be paid for by the Zone.

WHAT IS THE ESTIMATED BENEFIT IN JOBS AND REVENUE?

- Based on economic development studies so far, developing an Innovation Zone could employ 124,000 people in a multitude of direct, indirect, and induced jobs during the years in which the Zone is developed.
- \$7 billion in salaries would be generated from these jobs tied to the Innovation Zone.
- Overall, the total potential impact of the development activities from the Innovation Zone could be more than \$16 billion.
- These estimates do not include the potential jobs and impact from the average annual operations of the Zone, which in future years could include an additional 40,000 jobs, \$1.8 billion in wages, and \$4.6 billion in total output.

WHAT IS THE RISK TO THE STATE?

Innovation Zones are designed to be developed at no risk to the State or taxpayers. All costs involved are paid for by the applicant and a clear path of needed infrastructure and development is set by law.

WHO ARE WE TRYING TO ATTRACT TO NEVADA WITH THIS EFFORT?

- Nevada needs to attract a new, diverse set of businesses and innovators to grow and expand our economy.
- Through Innovation Zones, we can create the ideal setting for developing new technologies and draw talent and resources from around the world. This will make Nevada the center of emerging new technologies and the businesses that use them, and make sure that the benefits stay here within our community.

WHY NOW?

- Expanding our state's economic base beyond reliance on gaming and tourism revenue is a priority for Nevada.
- Using Innovation Zones, we have a unique opportunity to attract a potential multibillion-dollar economic impact to Nevada, at little to no risk to the State, local communities, or taxpayers.

HOW WOULD THE SMART CITY WORK? WHO RUNS IT?

The Smart City inside the Innovation Zone works much like your local government. An independent, three-person board initially appointed by the governor helps keep the Zone focused on its core mission and, over time, as the IZ grows, it takes responsibility for more and more local services.

WHAT IS THE TIMELINE FOR THIS TO BECOME REALITY IF LEGISLATION PASSES?

- Building an Innovation Zone will take time, but the legislation lays out a clear path toward sustainability with timelines and requirements in the law.
- Construction and initial investment can begin right after approval, and benefits to the state and our community will begin to accrue right away in terms of jobs, revenue, and taxes.

DOES THIS BILL ONLY BENEFIT ONE ENTITY?

Any qualified group who can meet the standards in this new legislation can apply to form an Innovation Zone. The qualifications are strict to protect the State, local communities, and taxpayers from risk.

IS THE INNOVATION ZONE CONTROLLED BY ANY ONE COMPANY OR GROUP?

- No – an Innovation Zone is NOT run by any one company. It is governed by an independent board focused on the core mission of developing the IZ as a home for numerous businesses and entities engaged in technology development.
- The Innovation Zone will comprise numerous companies and organizations from around the world.

DOES AN INNOVATION ZONE IMPACT NEVADA’S C-TAX?

No. The Innovation Zone would not impact the flow of money from Nevada’s C-Tax to other local governments. The IZ will only receive the amount it paid in C-Tax the prior fiscal year. Sections 29 and 35 lay out how this will work.

HOW DOES AN INNOVATION ZONE PROVIDE FOR ESSENTIALS LIKE WATER?

One of the strict requirements for the approval of an Innovation Zone proposal would be the applicant’s ability to secure access to all public utilities and natural resources needed for the development of the Zone.

WOULD COMPANIES LOCATED IN AN INNOVATION ZONE REQUIRE TAXES INCENTIVES, LIKE ABATEMENTS OR TAX CREDITS?

No. There are no abatements or tax credits for the applicant to create an Innovation Zone or for businesses within an Innovation Zone. All infrastructure and development is funded 100% by private resources.

DO COMPANIES IN AN INNOVATION ZONE PAY THE SAME TAXES AS OTHER NEVADA COMPANIES?

Yes. Companies in an Innovation Zone will pay the same taxes at the same rate or higher than other businesses. Additionally, there is a requirement that a special fee or tax be placed on the innovative technology that is the focus of the Innovation Zone.

IS AN INNOVATION ZONE A “COMPANY TOWN”?

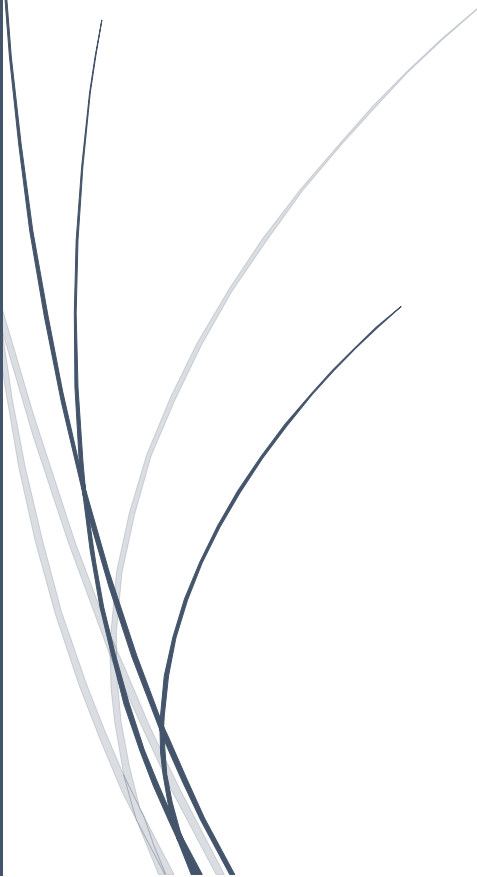
No. An Innovation Zone will be comprised of a wide range of businesses and organizations doing business in the IZ. Not all of these will be affiliated with the developer, for IZs are not created for the exclusive purpose of any one company or group, but as an incubator for a broad range of innovation.

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ATTACHMENT E

Economic Impact Study: *Opportunity and Innovation in Nevada*



Background Information

Joint Special Committee to Conduct a Study
Concerning Innovation Zones (SCR11)

September 2021

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OPPORTUNITY & INNOVATION IN NEVADA

PROPRIETARY AND CONFIDENTIAL DRAFT

July 8, 2020

Blockchains is dedicated to conceptualizing, building and incubating blockchain-powered ideas. Founded in July 2014, Blockchains' mission is to protect and empower individuals through blockchain applications. Blockchains acquired slock.it in June 2019, a German development company founded to securely connect the internet of things to blockchain networks. This Blockchains subsidiary develops products for Web3, with an emphasis on digital asset custody and management, digital identity and reputation and connecting devices to blockchains. With these pillars as the foundation of its technology platform, Blockchains is actively building solutions that provide safe entry to the next-generation web and the sharing economy.

Blockchains is considering the development of a stablecoin cryptocurrency as well as an innovation park and smart city housed within the company's 67,000-acre project site that would not only use the currency as its primary monetary system but would also serve as global headquarters for economic and technological infrastructure necessary to deploy and administer its cryptocurrency.

This summary is designed to summarize the opportunity and innovation already underway and the impacts of Blockchains' technology and overall investments in Nevada. The analysis is segmented into four key components: (1) an investment overview and vision for Nevada; (2) the fiscal implications of the stablecoin cryptocurrency under development; (3) the economic impacts sourced to the development and operations of Painted Rock Smart City and Innovation Park currently in the planning stages; and (4) the fiscal impacts sourced to a proposed innovation zone in Nevada.

- **Investment in Nevada:** Blockchains has demonstrated its commitment to Nevada with the acquisition of 67,000 acres in Storey County, Nevada, and the establishment of its headquarters in Sparks, Nevada. The company has a number of initiatives, including, but not limited to, product development, the creation of a stablecoin cryptocurrency and the design and development of a "Smart City." The overall value of the investments are expected to span into the tens of billions of dollars and support hundreds of thousands jobs during the course of the project's build-out and operations. The pages that follow provide a summary of the investments and the innovation contemplated by the company.
- **Economic Impacts of Painted Rock Smart City and Innovation Park:** In addition to a transactional-based technology platform, the company is planning the development of the Painted Rock Smart City and Innovation Park. The proposed development is expected to be the most advanced "high-tech" community in the country. The community's development timeline is programmed to span a 75-year cycle with a ramp-up period leading to stabilized, consistent construction activity. The city will be home to over 36,000 permanent residents, 15,000 housing units, 11 million square feet of commercial space and more than 22 million square feet of industrial-related development. The highly amenitized build-out will be a place of innovation, creativity and advanced technologies. The economic impacts of the city's development are estimated to reach over \$16 billion, support \$7 billion in wages and salaries and employ 124,000 people. The permanent impacts of the commercial and industrial activity are also impressive – equating to average annual impacts in excess of \$4.5 billion and nearly \$1.8 billion in wages while supporting 40,000 positions within the region.

- **Fiscal Impacts of the Nevada Innovation Zone:** Beyond the revenue-generating potential sourced to the stablecoin cryptocurrency, the operation of the Smart City will allow for the creation of an “Innovation Zone” that will provide a self-sustaining fiscal structure similar to other local governments in Nevada. The self-contained community is expected to contribute to the state’s revenue base while ensuring a sustainable fiscal structure to provide the necessary services demanded by its residents and businesses.
- **Fiscal Impact of the Stablecoin Cryptocurrency:** The research and development sourced to the proposed stablecoin cryptocurrency is underway, and the potential fiscal implications have the potential to be material – not only for the company, but for the State of Nevada. This analysis considers a wide range of alternatives, including revenue-generating strategies designed for targeted industries such as transportation network companies (TNCs) and cannabis operations in the state. The revenue potential of a transaction fee or tax is a function of the base of economic activity taking place, the capture rate (i.e., what share of activity would utilize the new technology) and the effective tax rate applicable to the underlying activity. The impacts range from a relatively modest level if only adopted locally to more material billion-dollar-plus implications if more widely deployed. The expectation is that broader acceptance will prevail over time and as more innovation in this space takes place.

Overall, Blockchains’ investments not only generate meaningful impacts for the State of Nevada, they are expected to propel the Silver State’s global positioning. Importantly, additional spin-off effects of the planned investments have yet to be quantified in this assessment in an effort to focus on the direct implications of the company. The pages that follow provide additional details about the core elements of the investments and the vision.

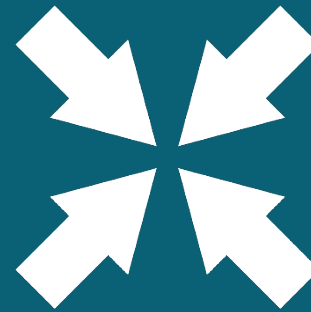




Investment
Overview and Vision
for Nevada



Economic Impacts
of Painted Rock
Smart City and
Innovation Park



Fiscal Impacts
of a Nevada
Innovation Zone



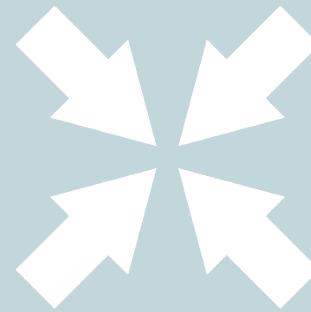
Fiscal Implications
of a Stablecoin
Cryptocurrency



Investment
Overview and Vision
for Nevada



Economic Impacts
of Painted Rock
Smart City and
Innovation Park



Fiscal Impacts
of a Nevada
Innovation Zone



Fiscal Implications
of a Stablecoin
Cryptocurrency



Blockchains is dedicated to conceptualizing, building, and incubating blockchain-powered ideas. Founded in July 2014 by Jeffrey Berns, a consumer protection attorney and early adopter of blockchain technology, Blockchains seeks to protect and empower individuals through blockchain-based application.

In June 2019, Blockchains acquired slock.it, a German development company founded to securely connect the internet of things to blockchain networks. Our integrated company develops products for Web3, with an emphasis on digital asset custody and management, digital identity and reputation, and connecting devices to blockchains. With these pillars as the foundation of our technology platform, we are committed to building solutions that provide safe entry to the next-generation web and the sharing economy.





BLOCKCHAINS

PRODUCTS

Blockchains' products presently in development include:

- a custody and management solution for private keys and digital assets that leverages our highly secure network of underground bunkers in the U.S. and abroad;
- a digital identity and reputation framework that will allow individuals to exercise complete control over their personal information and monetize that information if they so choose;
- the incubed client, which connects internet-enabled devices to blockchain networks; and
- a software developer kit (sdk) that will provide third-party app developers with the ability to connect to and utilize the core technology of our platform.

These products and the applications developed using Blockchains' platform will work in tandem to establish an accessible, secure entry point to Web3.



BLOCKCHAINS

DIGITAL ASSETS

Our first step in using blockchain technology to empower individuals is digital asset custody and management. Blockchains is building a key management storage solution that will ultimately leverage our highly secure network of underground bunkers to provide consumers with easy access to, and robust protection of, their digital assets.



BLOCKCHAINS

DIGITAL IDENTITY

By going online and interacting with companies in the real world that digitize their records, you are creating a comprehensive digital identity. Your data – medical, financial, and personal – has been recorded and stored without much say by you as to how it's later used. Instead, it's largely controlled by the institutions with which you interact: the DMV, the doctor's office, the bank, social media platforms, search engines, and shopping websites. It's time for a better way.



BLOCKCHAINS

INCUBED CLIENT

The value of public blockchain networks is limited if we cannot easily access them. Running a full node, or a computer, on a blockchain requires a lot of memory. Because of this, many people are discouraged from engaging with the growing world of Web3. Enter Incubed, memory-efficient software to securely connect your devices to different blockchains.



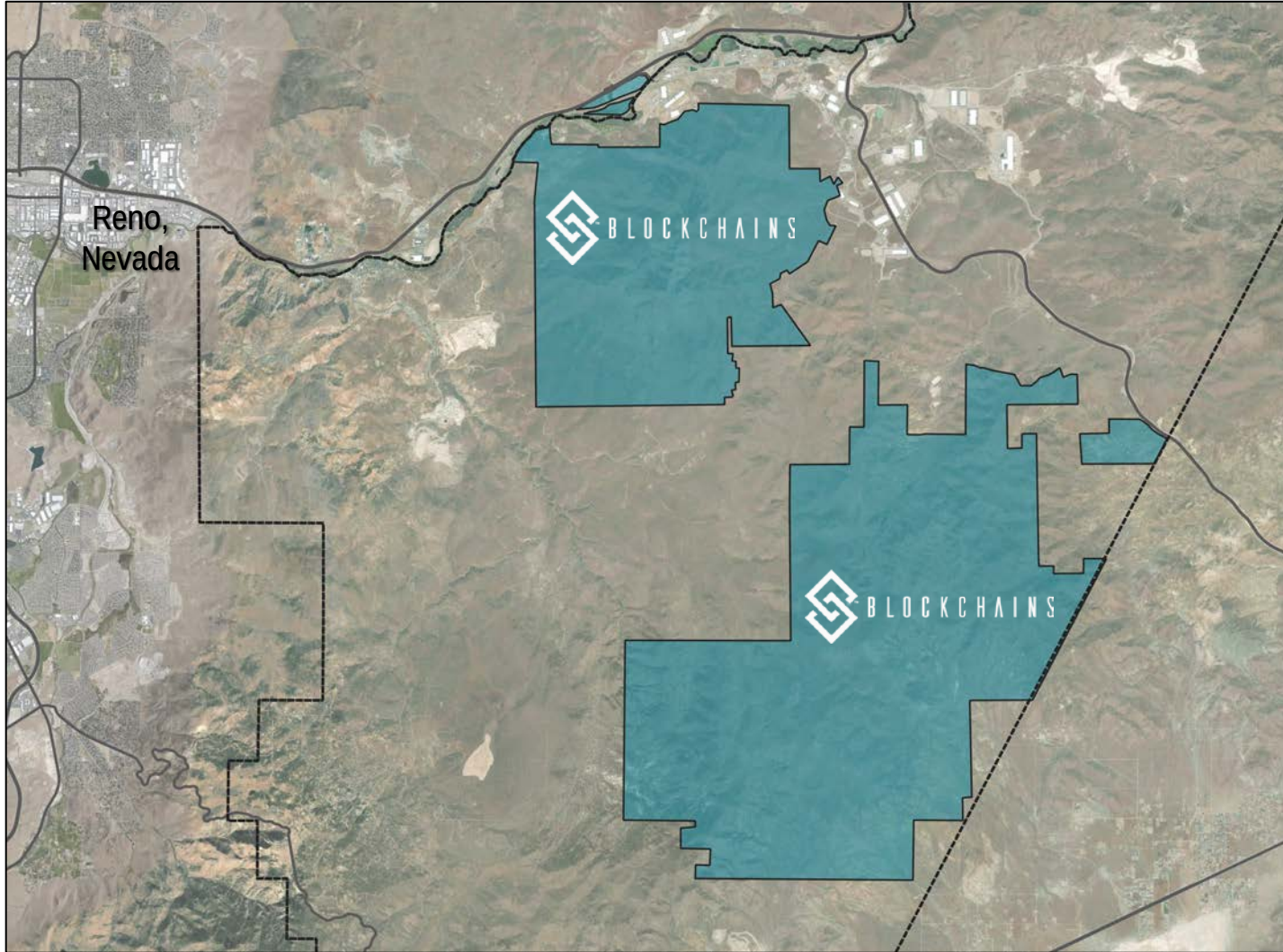
Investment
Location





In 2018, Blockchains LLC purchased 67,000 acres of land at the Tahoe-Reno Industrial Center ("TRIC") in Storey County. The land is located in close proximity to other notable technology-focused TRIC tenants such as Tesla, Amazon, Google and Switch.





PAINTED ROCK



On its land, Blockchains envisions developing a smart city known as Painted Rock. The city would feature the amenities and services of a typical city – homes, schools, businesses and industry – yet it would be built with blockchain technology at its core.

Blockchain technology is a decentralized, distributed ledger that records digital information that can be used for business transactions, personal finances, civics, record-keeping and many other applications.

Painted Rock will also feature the 1,000-acre Innovation Park, a research and development facility that will focus on artificial intelligence, 3-D printing and nanotechnology.

Groundbreaking is anticipated in 2022.

PAINTED ROCK





PAINTED ROCK



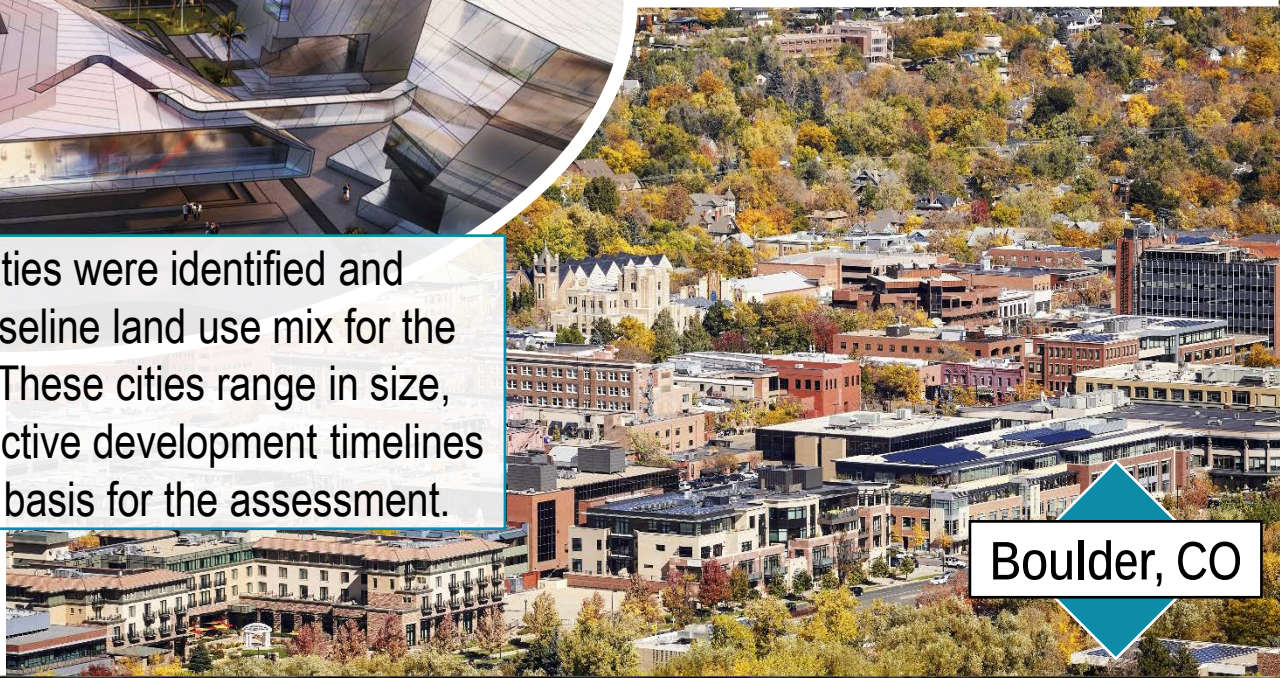
San Jose, CA



Seattle, WA



Provo, UT



Boulder, CO

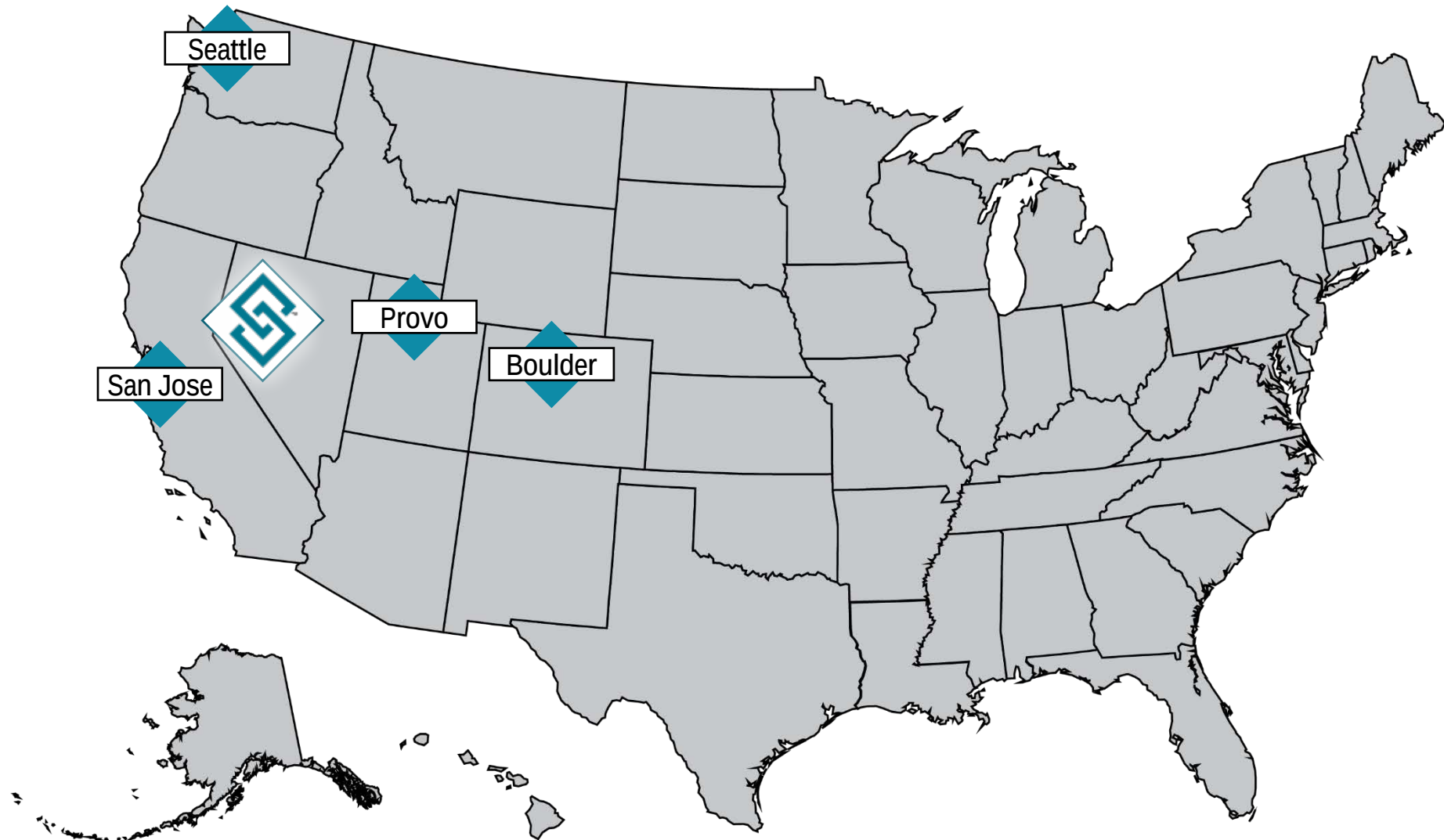
Four “high-tech” U.S. cities were identified and analyzed to establish a baseline land use mix for the Painted Rock Smart City. These cities range in size, age and place in their respective development timelines and provide a reasonable basis for the assessment.

Tech Cities in the United States

Technology Employment Location Quotient	
San Jose, CA	4.7
Seattle, WA	3.3
Provo, UT	2.8
Boulder, CO	2.4

The comparable metropolitan areas were selected based on their high concentrations of tech employment as measured by location quotient.

Location quotient is a ratio of an area's employment concentration in an industry compared to the national average. For example, a location quotient of 1.0 indicates an employment concentration equal to the national average, while a location quotient of 2.0 indicates an industry employment concentration of twice the national average.



Tech Cities in the United States

The technology industry is an integral sector for many U.S. cities. The four metropolitan areas below are among the most reliant on the technology industry for economic and employment growth.



San Jose, CA (MSA)

Population	1,990,700
Total Employment	1,055,300
Information Emp.	102,400
Information %	9.7%
Location Quotient	4.7



Seattle, WA (MSA)

Population	3,979,800
Total Employment	1,801,400
Information Emp.	131,800
Information %	7.3%
Location Quotient	3.3



Provo, UT (MSA)

Population	648,300
Total Employment	228,700
Information Emp.	14,000
Information %	6.1%
Location Quotient	2.8



Boulder, CO (MSA)

Population	326,200
Total Employment	160,600
Information Emp.	8,700
Information %	5.4%
Location Quotient	2.4

Tech Cities in the United States

These four technology cities developed on independent timelines to varying scales under a wide range of development constraints and advantages. Their current land use mixes provide a range of potential development scenarios for Painted Rock.



San Jose, CA (City)

	Acres	Shares
Residential	67,620	69.5%
Commercial	3,100	3.2%
Industrial	9,800	10.1%
Public/Non-Profit	340	0.4%
Other	16,440	16.9%
Total	97,320	100.0%



Seattle, WA (City)

	Acres	Shares
Residential	22,470	57.8%
Commercial	4,560	11.7%
Industrial	1,460	3.8%
Public/Non-Profit	6,630	17.1%
Other	3,730	9.6%
Total	38,860	100.0%



Provo, UT (City)

	Acres	Shares
Residential	5,590	22.7%
Commercial	1,020	4.1%
Industrial	570	2.3%
Public/Non-Profit	16,650	67.5%
Other	820	3.3%
Total	24,660	100.0%

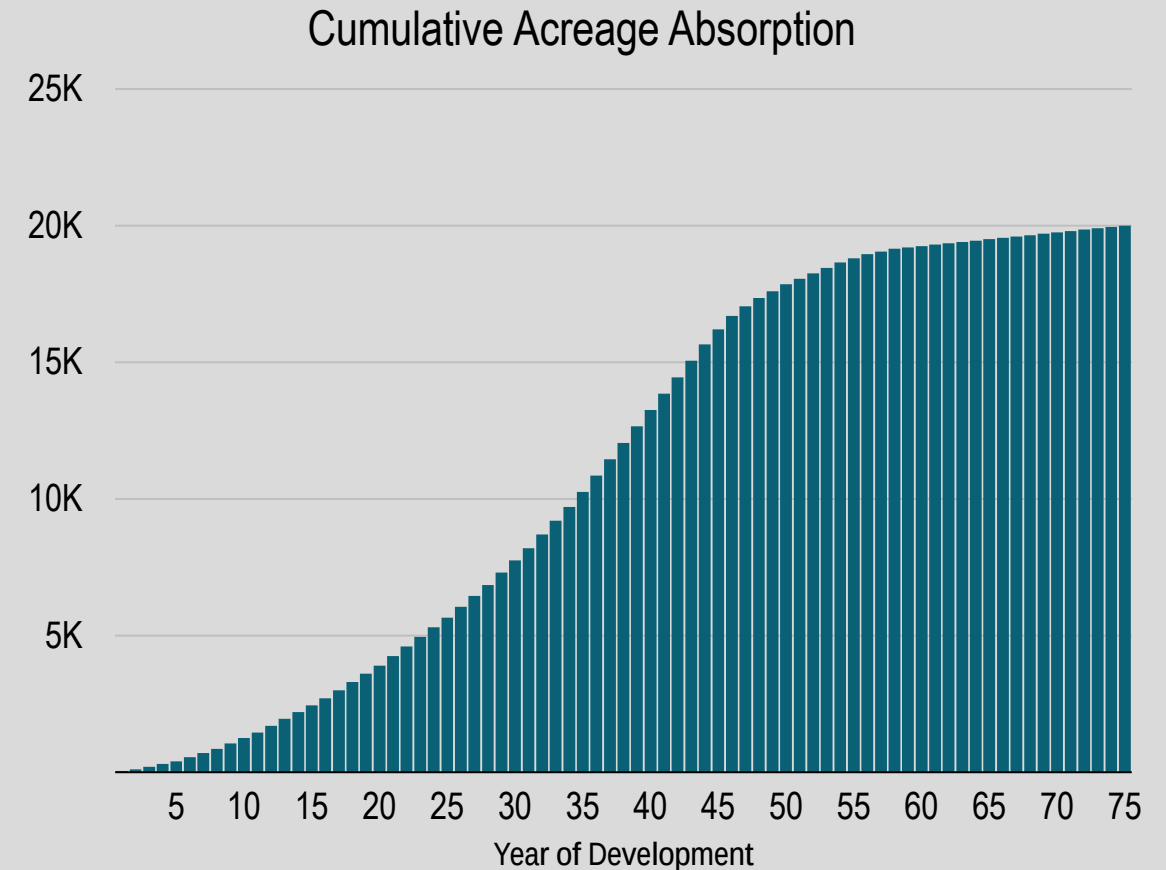
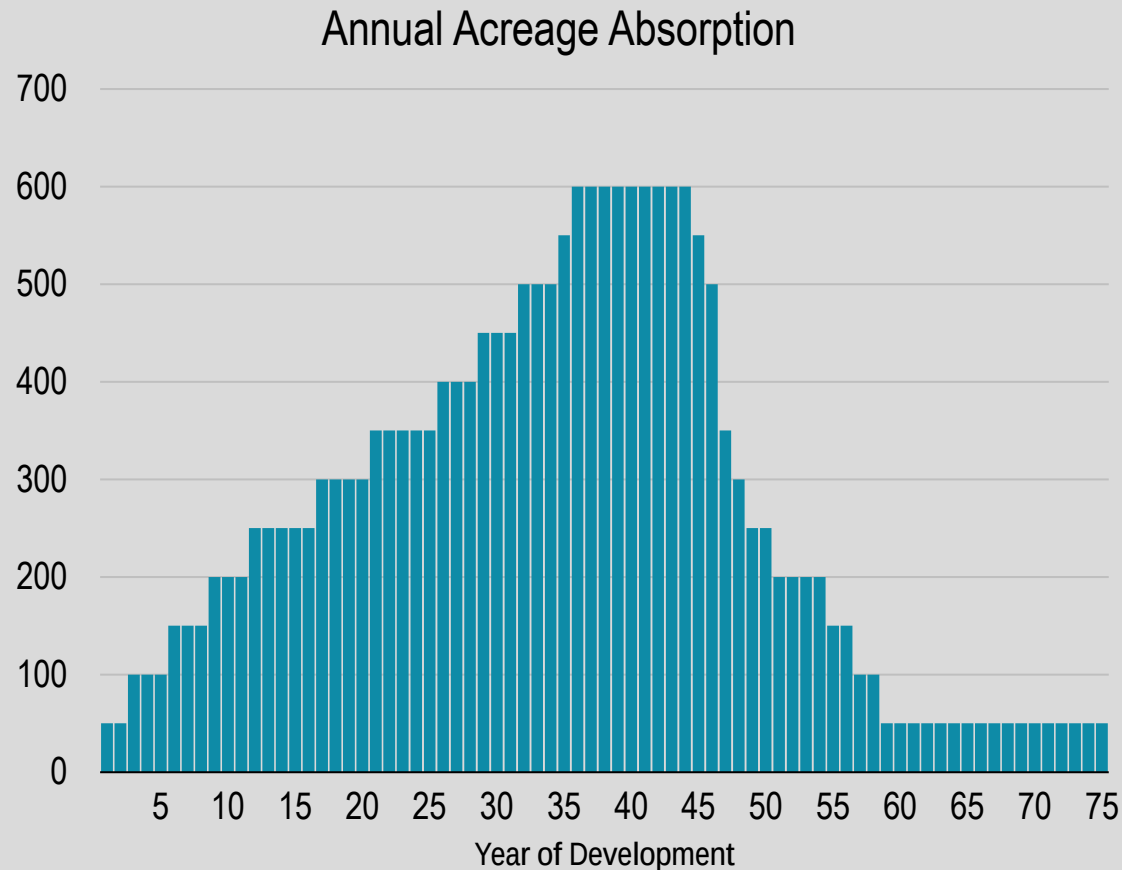


Boulder, CO (City)

	Acres	Shares
Residential	5,050	17.9%
Commercial	1,200	4.3%
Industrial	1,700	6.0%
Public/Non-Profit	7,240	25.6%
Other	13,070	46.2%
Total	28,270	100.0%

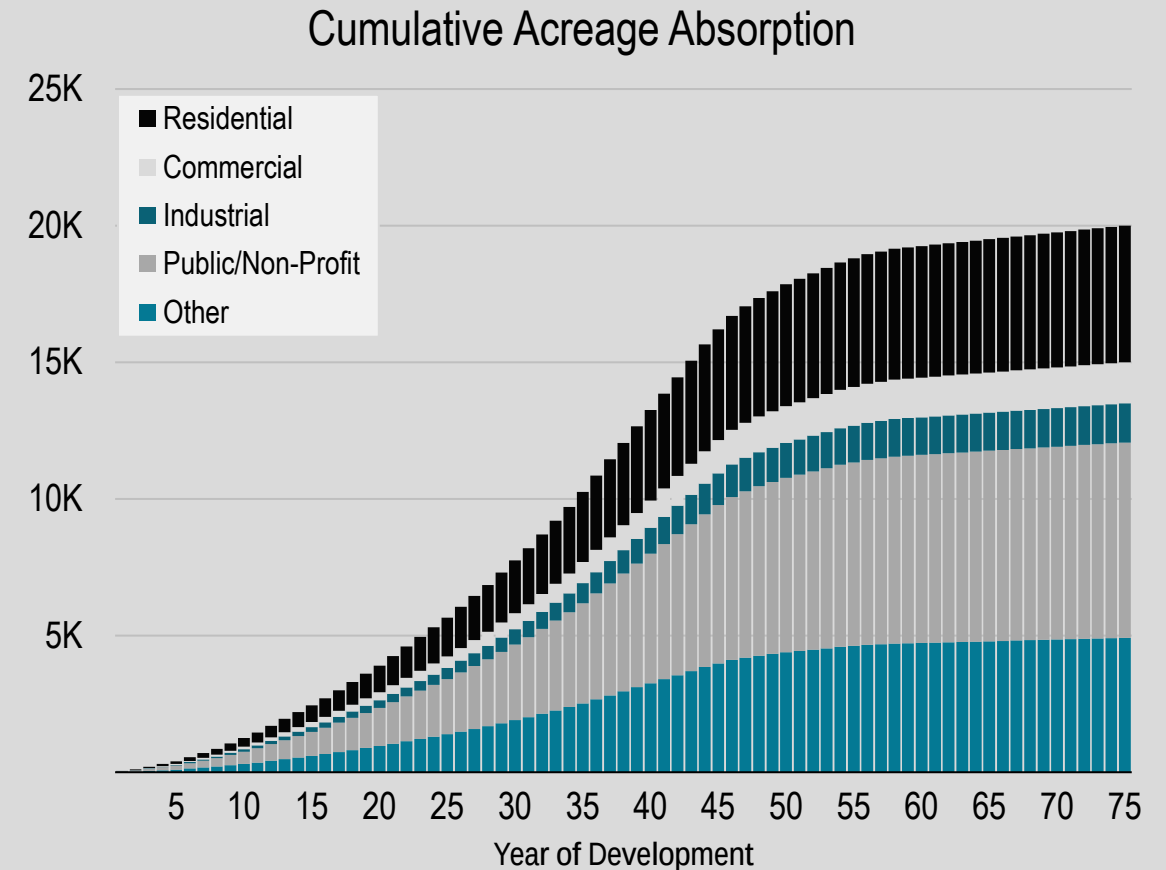
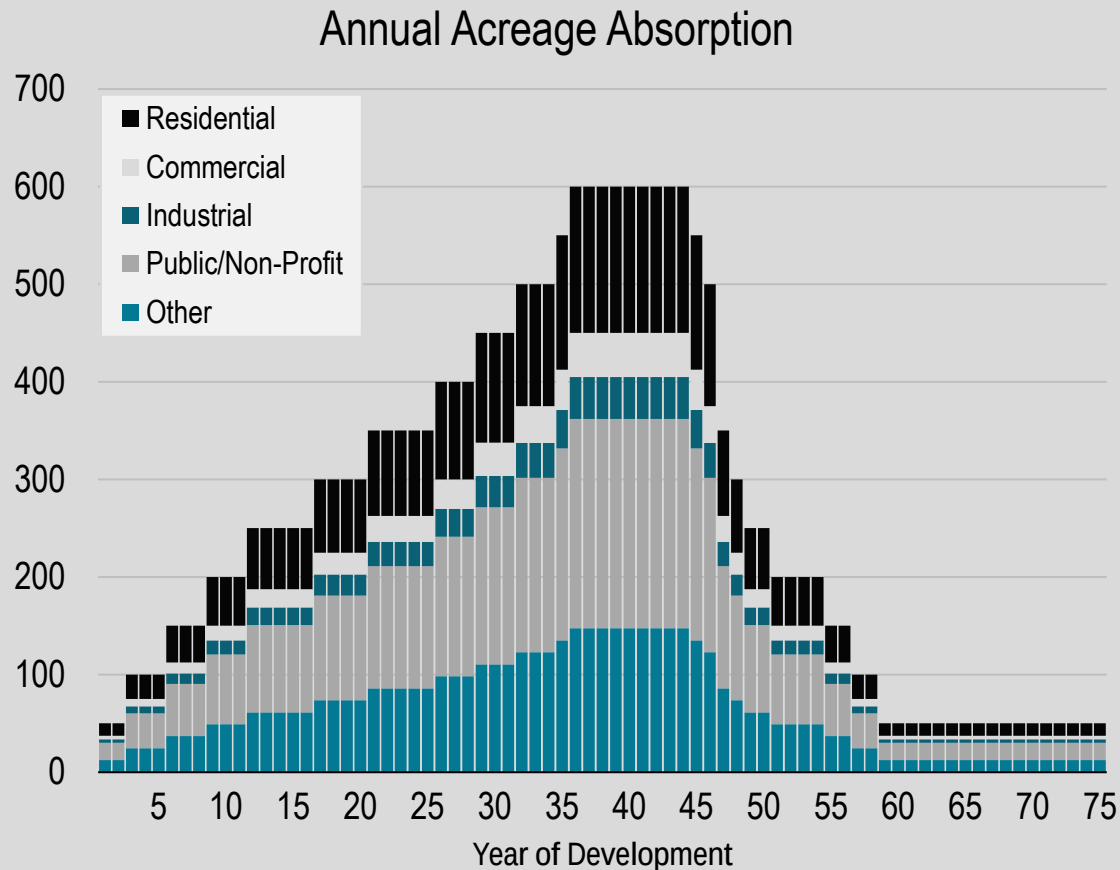
Development Timeline: Land Absorption

Full build-out of Painted Rock is anticipated to take place over a 75-year timeframe, with the majority of development occurring during the first half of that timeline.



Land Absorption by Use

Upon full build-out, Painted Rock will consist of multiple land uses generally reflective of other high-tech cities, with public or non-profit uses accounting for the largest portion of land use.

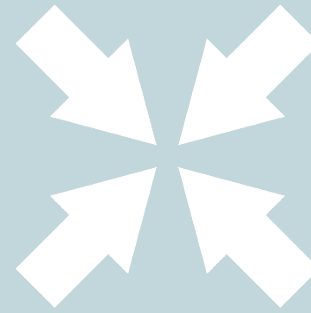




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Economic Impact Assessment

General Approach to Economic Impact Analyses

Economic Impact Analyses

Economic impact studies provide a quantitative method to estimate the economic benefits that a particular operation or investment has on a host jurisdiction. The impacts are typically measured in jobs, wages and overall economic activity. For purposes of this analysis, the development and operations of Painted Rock are being evaluated to determine their contributions to the Nevada economy.

Methodology

To estimate economic impacts, traditional analyses utilize an input-output model to determine how a change in one industry impacts other industries throughout the community. There are several methods for calculating the impacts, and there are pre-existing models that essentially create a complex matrix of inputs and outputs to evaluate the relationships between industries. IMPLAN is a nationally recognized provider of this type of information and has been selected for purposes of this study. The IMPLAN model provides an opportunity to assess the direct, indirect and induced impacts (defined on the following pages) of the company's development activities (non-recurring) and on-going (recurring) operations.

Assumptions

Input-output models, as is the case with all econometric models, are not without their limitations; the statistical model used in this analysis assumes capital and labor are used in fixed proportions. This means that for every job created or lost, a fixed change in investment, income and employment results. In reality, developers, consumers and governments respond to stimuli in complex ways, including changing the mix of capital or labor as well as the types and frequencies of investment. Importantly, each impacting force has its own unique characteristics, affecting how consumers and businesses respond to the given change. This analysis also attempts to avoid double-counting to ensure the impacts are not overstated.

Economic Impact Assessment

Definitions



Economic Output
Impact on Total Revenue



Wages and Salaries
Impact on Personal Incomes



Employment
Impact on the Number of Jobs

Direct Impacts

Impacts generated by the company

Indirect Impacts

Secondary impacts generated by supplier purchases

Induced Impacts

Sourced to businesses that are supported by the spending of direct employees

Total Impacts

The sum of direct, indirect and induced impacts

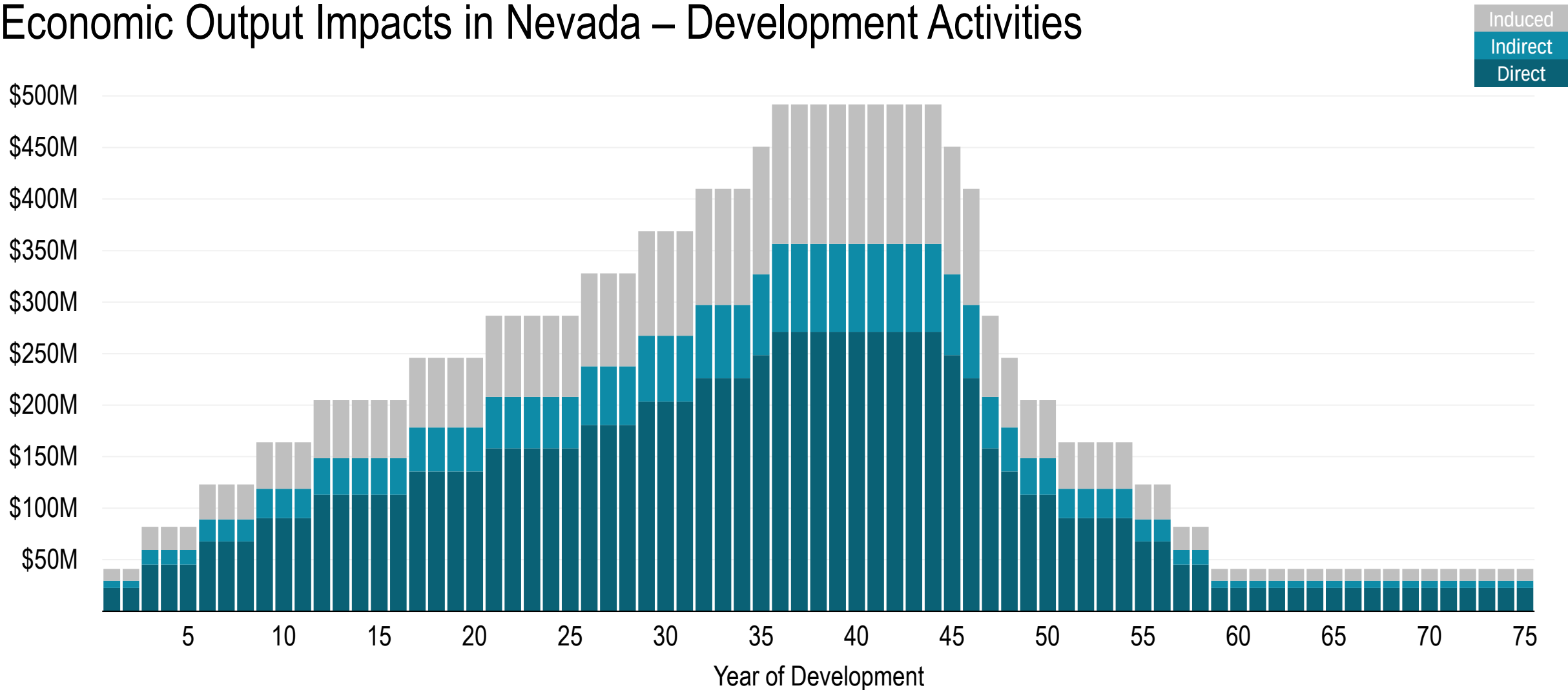
Economic Impact Assessment

IMPLAN Model

- One (1) of 3 nationally recognized impact analysis software tools
- Developed by Minnesota IMPLAN Group, Inc. and used by more than 1,000 public and private institutions
- IMPLAN is an input-output model that utilizes complex economic equations to explain how the “outputs” of one industry become the “inputs” of others, and vice versa
- This relationship is sometimes referred to as the “multiplier effect”, illustrating how changes in one sector of the economy can affect other sectors

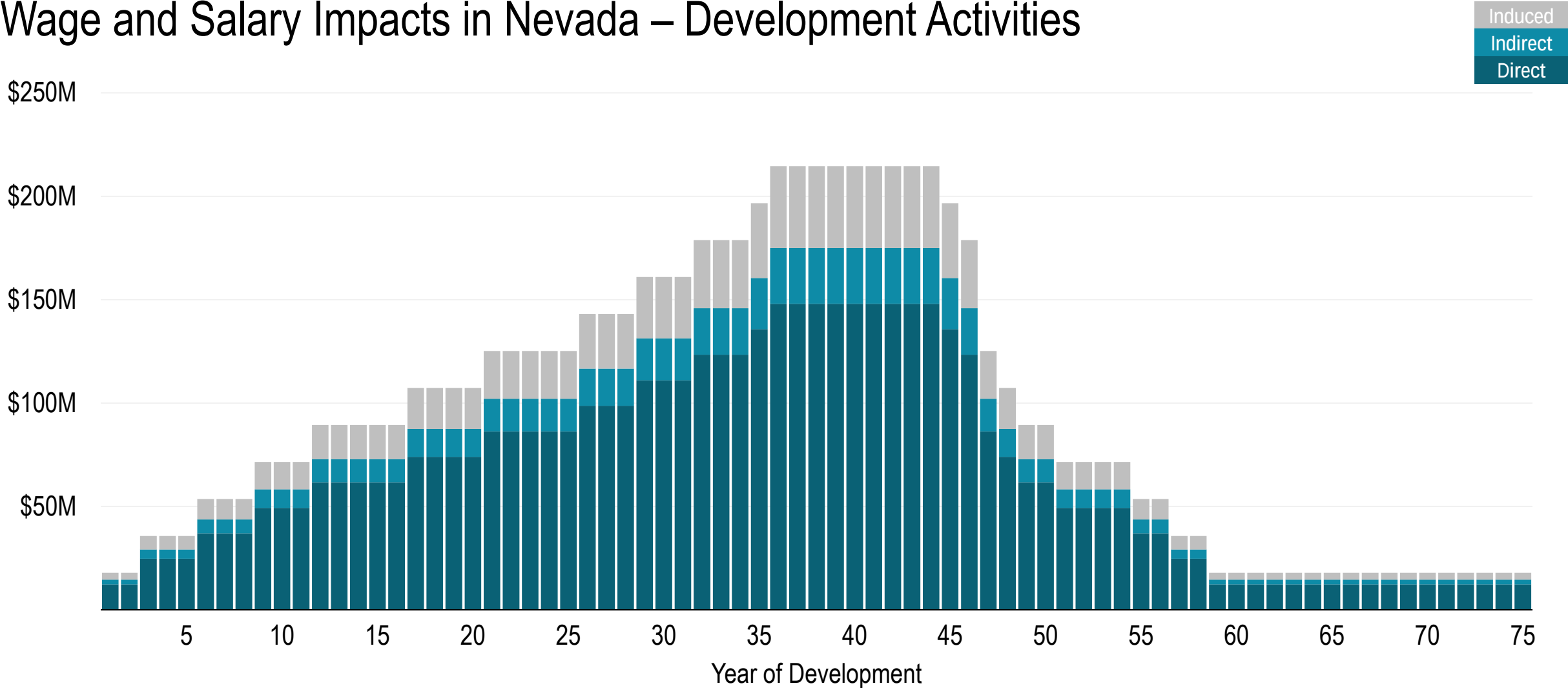
Economic Impact Assessment

Economic Output Impacts in Nevada – Development Activities



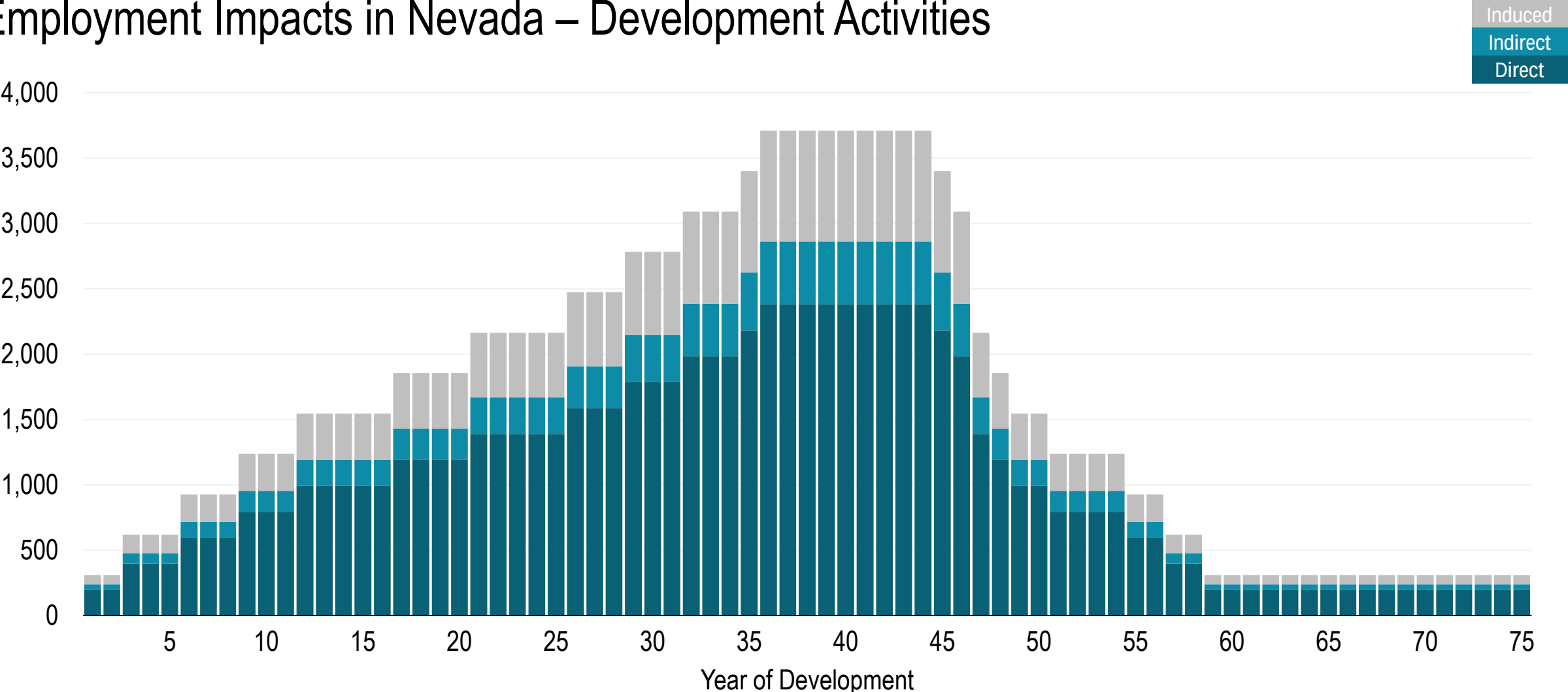
Economic Impact Assessment

Wage and Salary Impacts in Nevada – Development Activities



Economic Impact Assessment

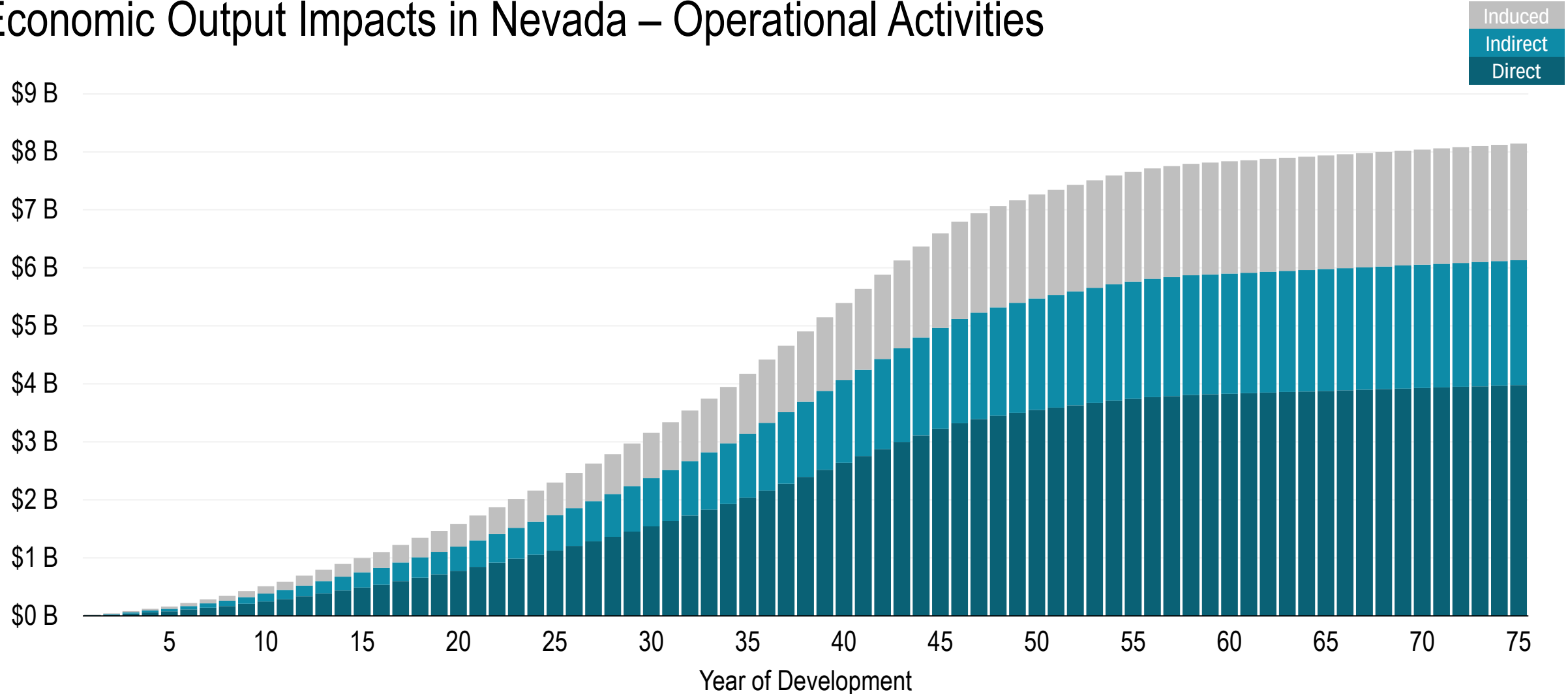
Employment Impacts in Nevada – Development Activities



Note: Employment impacts during the development activity phase are stated in person-years of employment (i.e., one person employed full time for one year).

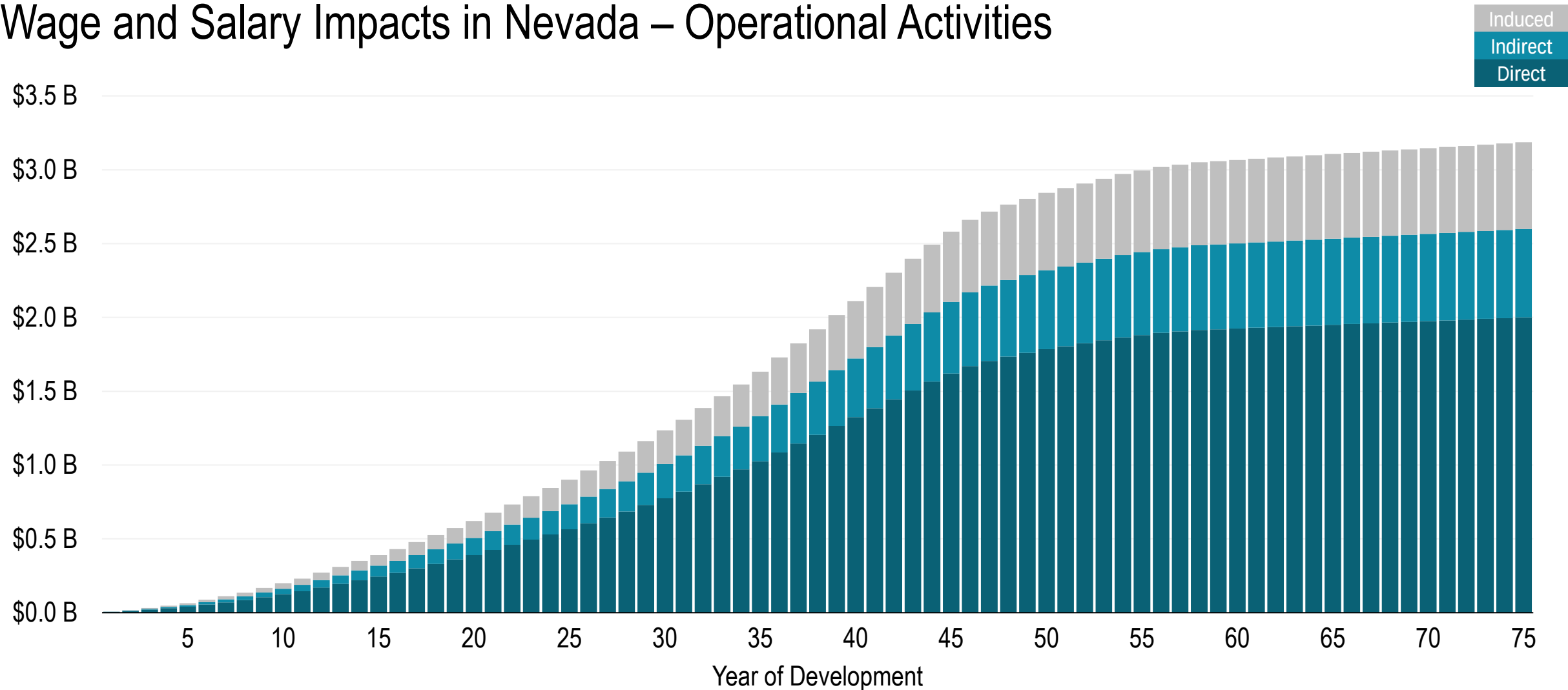
Economic Impact Assessment

Economic Output Impacts in Nevada – Operational Activities



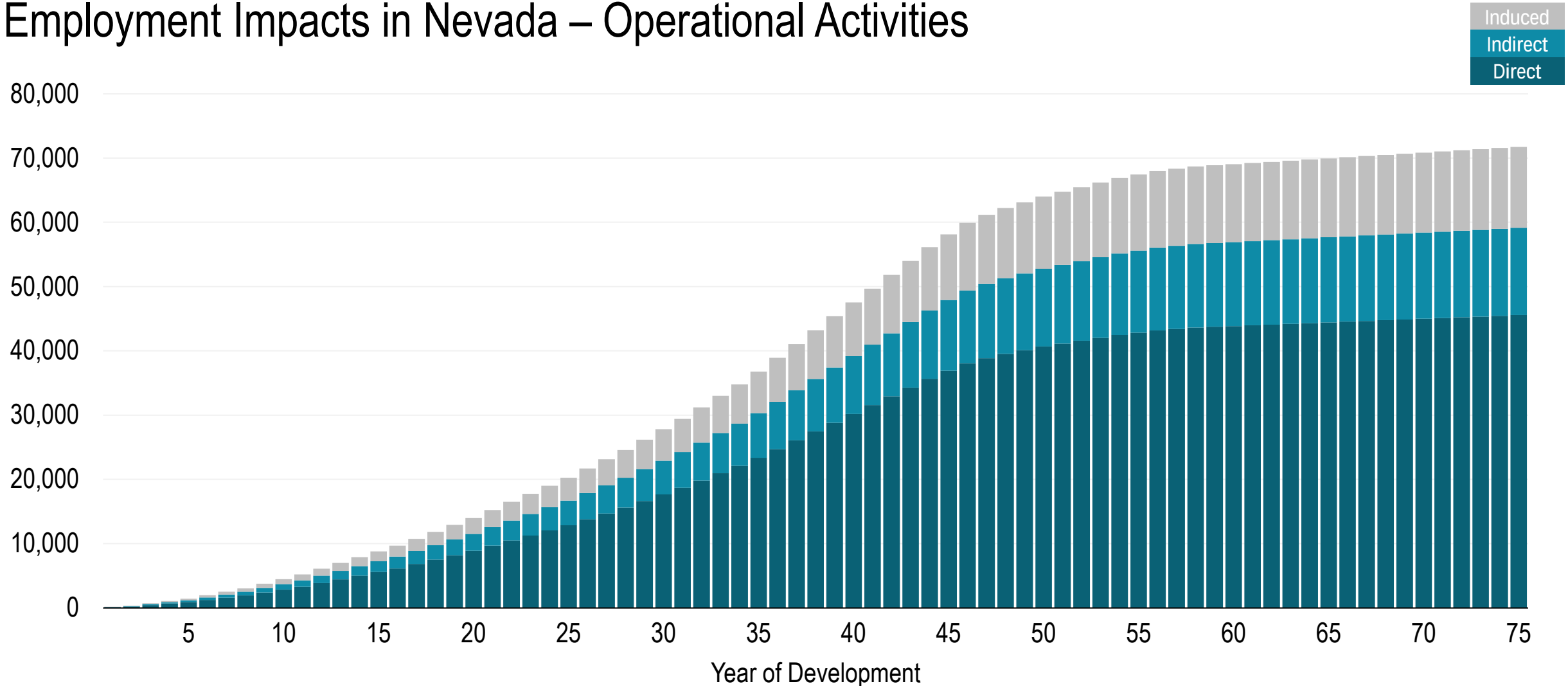
Economic Impact Assessment

Wage and Salary Impacts in Nevada – Operational Activities



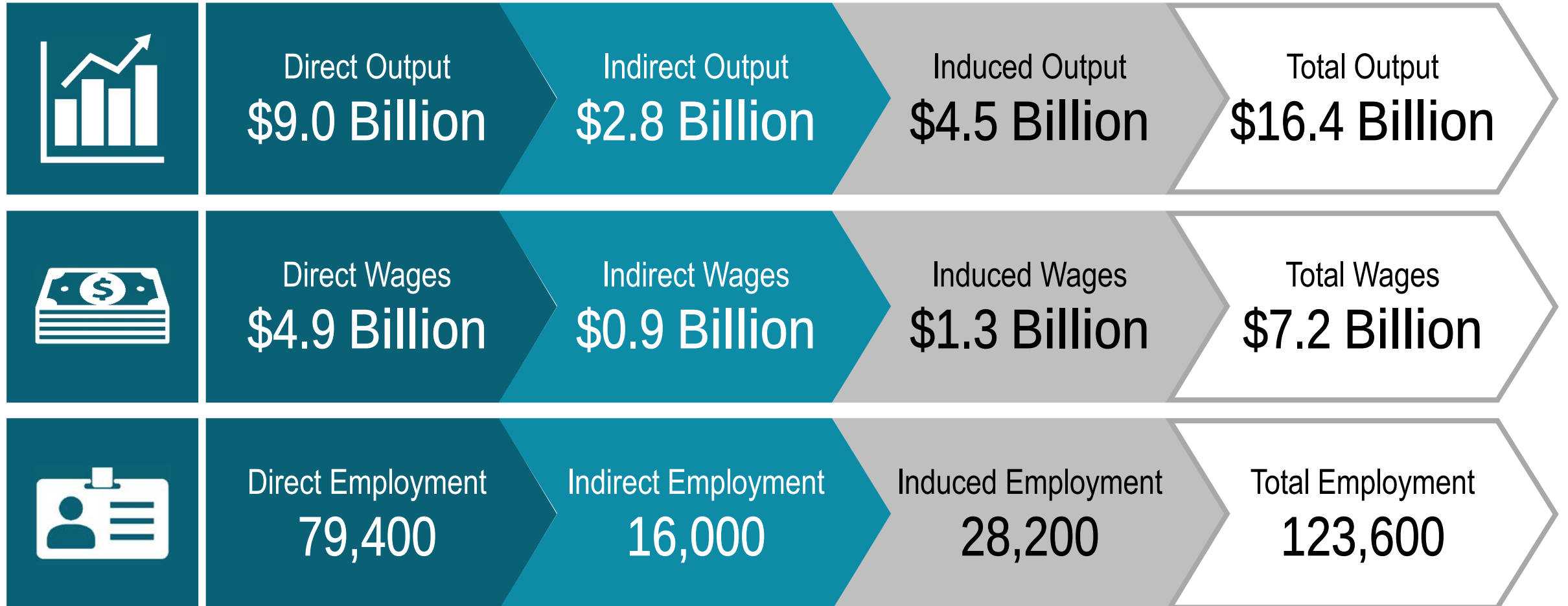
Economic Impact Assessment

Employment Impacts in Nevada – Operational Activities



Economic Impact Assessment

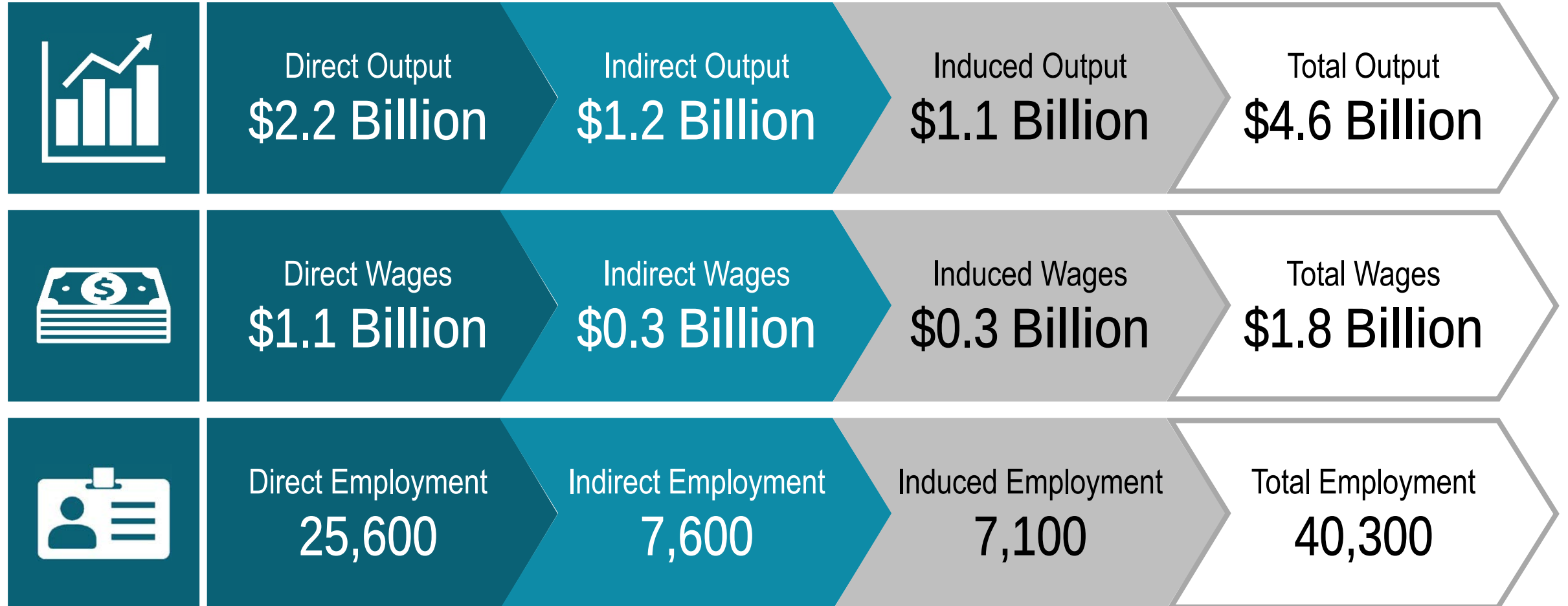
Economic Impacts Summary – Development Activities



Note: Employment impacts during the development activity phase are stated in person-years of employment (i.e., one person employed full time for one year).

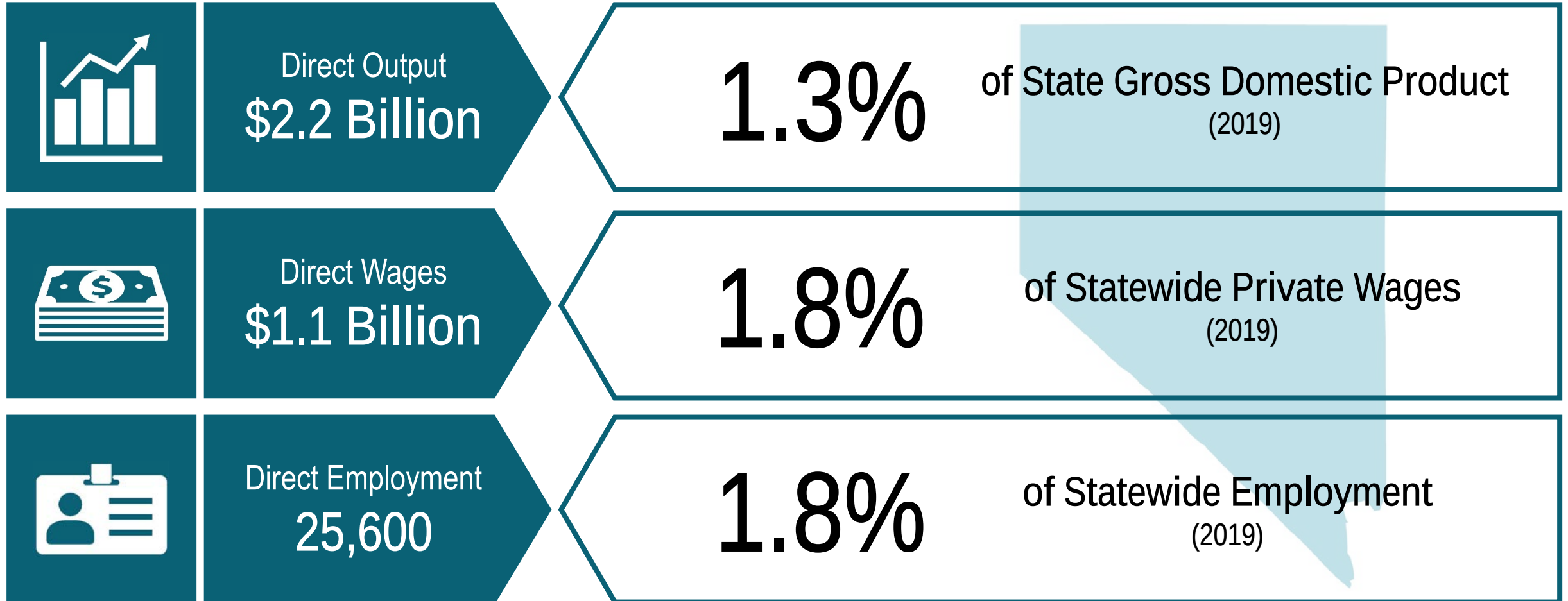
Economic Impact Assessment

Economic Impacts Summary – Operations (Average Annual Recurring Impacts)



Economic Impact Assessment

Shares of the Nevada Economy

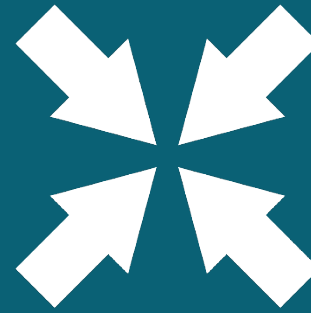




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Nevada Innovation Zone

A Nevada Innovation Zone (“NIZ”) would provide the legal, fiscal and governmental structure for the Painted Rock Smart City to develop, operate and grow.

- ◆ NIZ would develop and operate autonomously
- ◆ Three-member governing board
- ◆ Same governing powers as any local government
- ◆ Local taxes and fees retained by NIZ
- ◆ Local revenues fund local public services
- ◆ State revenues retained by state



Nevada Innovation Zone



Application

- ◆ Eligibility for entities owning at least 50,000 acres of land in a single county
- ◆ Application through the Governor's Office of Economic Development
- ◆ Application to provide plans for site improvements that include significant investment in qualifying technology as the core purposes of the improvements
- ◆ Application to include proof of financial wherewithal to complete the improvements and activate the plan
- ◆ Final approval by the Governor's Office of Economic Development



Governance

- ◆ Three-person board of supervisors appointed by Governor
- ◆ Two of three members appointed from list of nominees proposed by applicant
- ◆ One member appointed by State Board of Finance
- ◆ Board of supervisors has powers and authorities analogous to governing bodies of local governments
- ◆ Board of supervisors subject to all reporting and filing requirements of local governments
- ◆ Board meetings subject to Nevada open meeting laws



Finances

- ◆ NIZ funded initially through development agreements with applicant and fees for business licenses and services assumed by the NIZ
- ◆ When Board takes over all services from surrounding county, imposes ad valorem taxes at rates to avoid harm to surrounding county
- ◆ Taxes administered in same manner as local governments
- ◆ State revenues retained by state



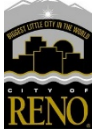
Services

- ◆ Board notifies county in which it is located as it is prepared to assume one or more public services including, but not limited to: police and fire protection, public works, parks and public recreation facilities, planning and zoning, business licensing and regulation, water, treatment of wastewater, and other public utilities, public health and healthcare, and social services
- ◆ Board may assume responsibility for K-12 education at any time after it assumes all of the duties of the county. If the Board does so, it may create schools, contract with charter schools or contract with other school districts to provide education.
- ◆ Board may assume the duties of county officers, including assessor, recorder, clerk or other elected positions, either by appointing the officer or contracting with another local government to provide the services of the office. Elections for offices in NIZ held after NIZ meets threshold number of registered voters.
- ◆ NIZ remains in the judicial district of the county in which it is located until it establishes a justice court

Nevada Innovation Zone

Public revenues and expenses were considered for relevant jurisdictions in Nevada, including the two most urbanized counties in the state and the three largest cities.

Local Jurisdiction Per-Capita Revenues

					
	Clark County	Washoe County	Las Vegas	Henderson	Reno
Property Tax	\$692.22	\$799.60	\$196.04	\$283.22	\$277.27
Consolidated Tax (C-Tax)	\$275.69	\$248.69	\$489.33	\$369.41	\$268.68
Sales Tax	\$652.13	\$592.60	\$0.00	\$89.51	\$47.03
Room Tax	\$69.82	\$1.07	\$4.95	\$11.64	\$44.42
Governmental Services Tax	\$46.98	\$52.83	\$0.00	\$0.00	\$0.00
Fuel Tax	\$66.88	\$19.47	\$16.42	\$19.05	\$27.80
All Other	\$2,113.71	\$1,094.27	\$879.24	\$1,123.64	\$1,064.58
TOTAL	\$3,917.43	\$2,808.54	\$1,585.97	\$1,896.47	\$1,729.78

Note: Local jurisdictions may categorize and report revenues and expenses differently; K-12 revenues dedicated to the Clark County and Washoe County school districts are reflected in their respective county figures

Nevada Innovation Zone

Public revenues and expenses were considered for relevant jurisdictions in Nevada, including the two most urbanized counties in the state and the three largest cities.

Local Jurisdiction Per-Capita Expenses

					
	Clark County	Washoe County	Las Vegas	Henderson	Reno
Public Safety	\$657.35	\$376.78	\$667.20	\$508.81	\$531.81
Public Works	\$283.59	\$79.18	\$136.61	\$107.58	\$205.55
Parks and public recreation facilities	\$21.17	\$49.59	\$135.41	\$157.72	\$66.39
K-12 education	\$1,469.53	\$1,480.40	\$0.00	\$0.00	\$0.00
Planning and zoning	\$0.00	\$0.00	\$0.62	\$56.52	\$29.57
Business licensing and regulation	\$0.00	\$5.97	\$63.20	\$0.00	\$0.00
Water, wastewater treatment	\$86.09	\$41.03	\$0.00	\$216.76	\$217.44
Public health and healthcare	\$23.47	\$48.30	\$8.02	\$0.00	\$0.00
Social services	\$11.30	\$0.38	\$0.00	\$9.63	\$0.00
Justice court services	\$103.96	\$162.42	\$46.64	\$34.73	\$30.20
All Other	\$860.97	\$373.65	\$375.47	\$427.37	\$362.18
TOTAL	\$3,517.43	\$2,617.70	\$1,433.17	\$1,519.11	\$1,443.14

Note: Local jurisdictions may categorize and report revenues and expenses differently; K-12 expenses for the Clark County and Washoe County school districts are reflected in their respective county figures

Nevada Innovation Zone

The following reflects the per-capita revenue and expenditure estimates for the proposed NIZ.

Revenues per Capita

Property Tax	\$560
Consolidated Tax (C-Tax)	\$169
Sales Tax	\$541
Room Tax	\$48
Governmental Services Tax	\$48
Fuel Tax	\$30
Other	<u>\$1,366</u>
Total	\$2,761

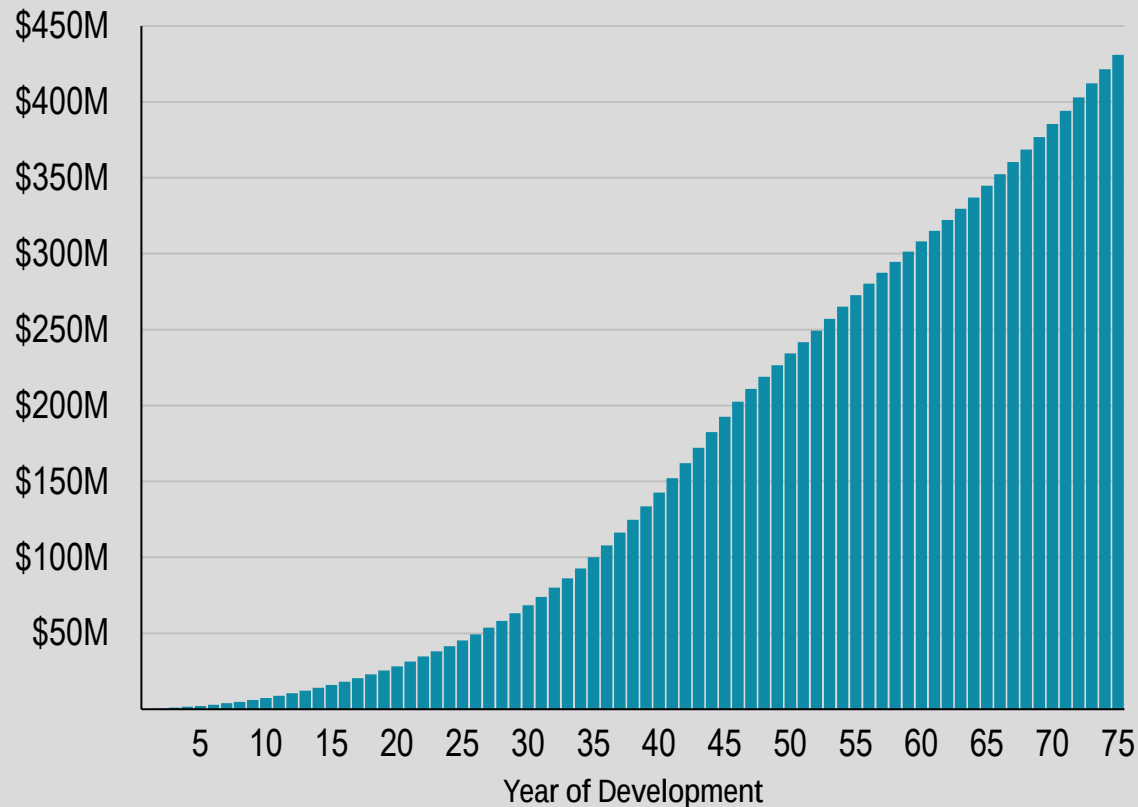
Expenditures per Capita

Public Safety	\$347
Public Works	\$132
Parks and public recreation facilities	\$25
K-12 education	\$1,471
Planning and zoning (Land Development)	\$2
Licensing and regulation of business activities	\$4
Water, treatment of wastewater, etc.	\$47
Public health and healthcare	\$14
Social services	\$5
Justice court services	\$58
Other	<u>\$406</u>
Total	\$2,509

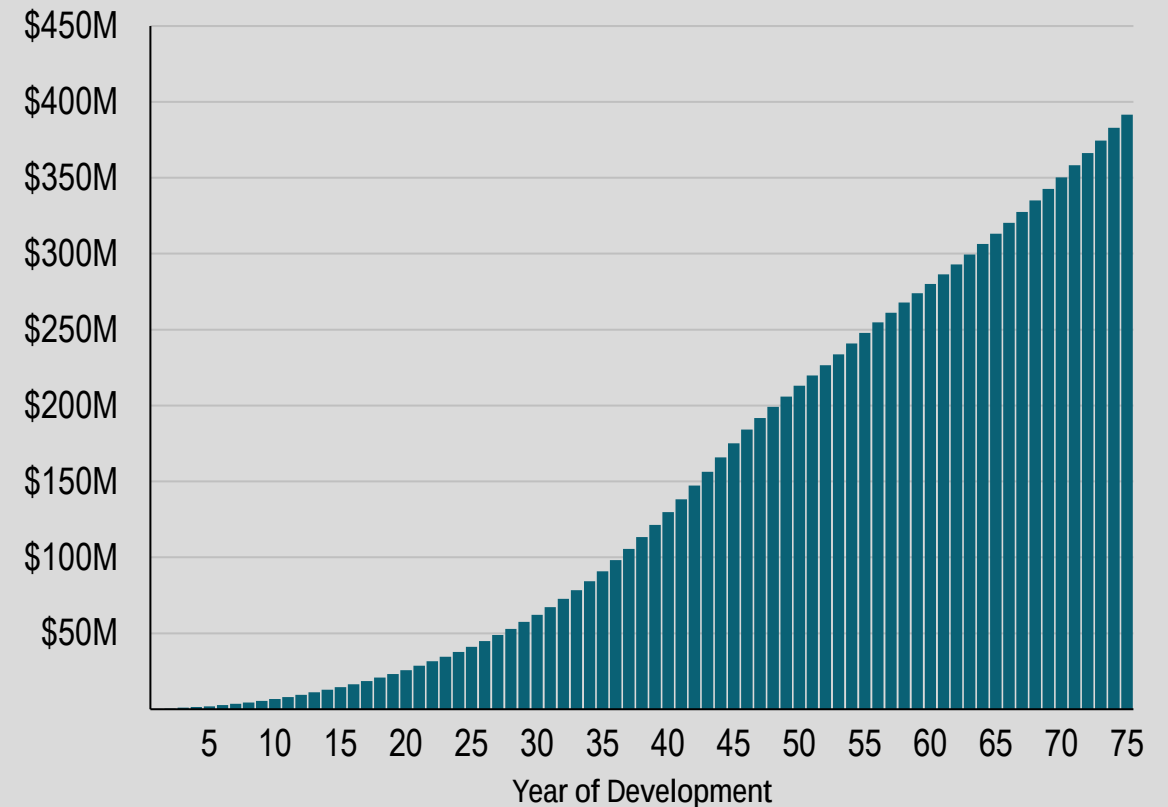
Nevada Innovation Zone

Public revenues and expenses were modeled based on the projected build-out timeline and per-capita revenues and expenses for the largest local jurisdictions in Nevada.

Annual Public Revenues



Annual Public Expenses

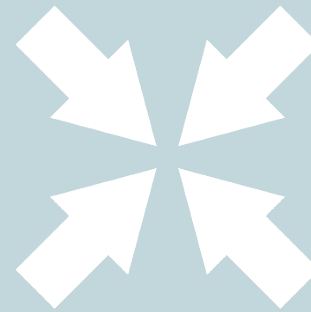




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Blockchain

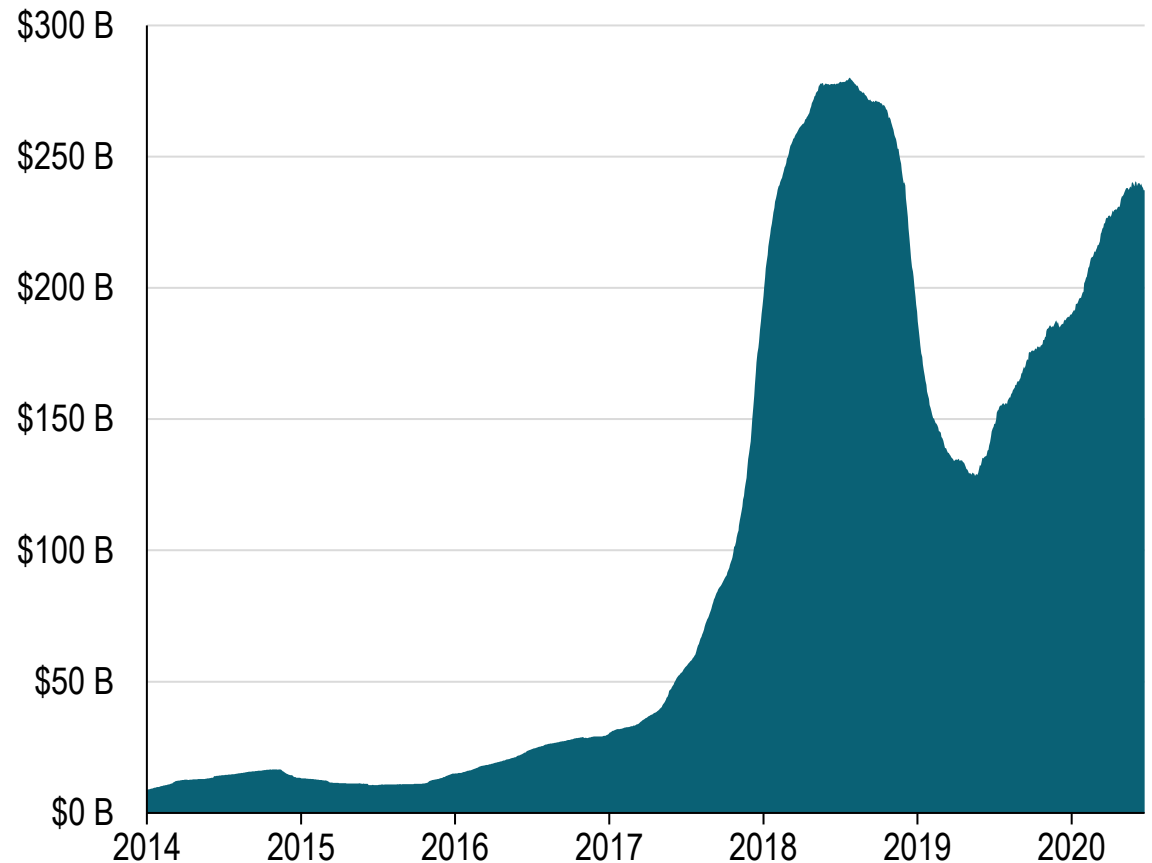
Based on a peer-to-peer topology, blockchain is a distributed ledger technology that allows data to be stored globally on thousands of servers – while letting anyone on the network see everyone else's entries in near real-time. That makes it difficult for one user to gain control of the network.

Blockchain holds the promise of transactional transparency – the ability to create secure, real-time communication networks with partners around the globe to support everything from supply chains to payment networks to real estate deals and healthcare data sharing.

Transaction activity on the blockchain network has reached approximately \$250 billion globally and has steadily increased in recent years, primarily due to market trading activity of various cryptocurrencies such as Bitcoin.

Source: Computerworld, blockchain.com

Blockchain Transaction Value
Trailing 12-Month Total



One Technology, Many Uses

Banking & Finance



Digital Security



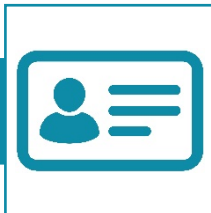
Supply Chains



Medical Records



ID Management



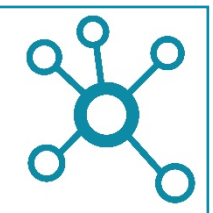
Real Estate Records



Loyalty Programs



Data Sharing



Cryptocurrency

What is Cryptocurrency?

A cryptocurrency is a digital or virtual currency that is secured by cryptography, which makes it nearly impossible to counterfeit or double-spend. Many cryptocurrencies are decentralized networks based on blockchain technology — a distributed ledger enforced by a disparate network of computers. A defining feature of cryptocurrencies is that they are generally not issued by any central authority, rendering them theoretically immune to government interference or manipulation.

Cryptocurrencies can be used for a wide variety of financial transactions between individuals and businesses. More than 5,000 cryptocurrencies exist with a combined market cap of more than \$250 billion.

What is Stablecoin?

A stablecoin is a new class of cryptocurrencies that attempts to offer price stability and is backed by a reserve asset. Stablecoins have gained traction as they attempt to offer the best of both worlds — the instant processing and security or privacy of payments of cryptocurrencies, and the volatility-free stable valuations of fiat currencies.

Stablecoins may be pegged to a currency like the U.S. dollar or to a commodity price, such as gold.

Source: Investopedia, Yahoo Finance



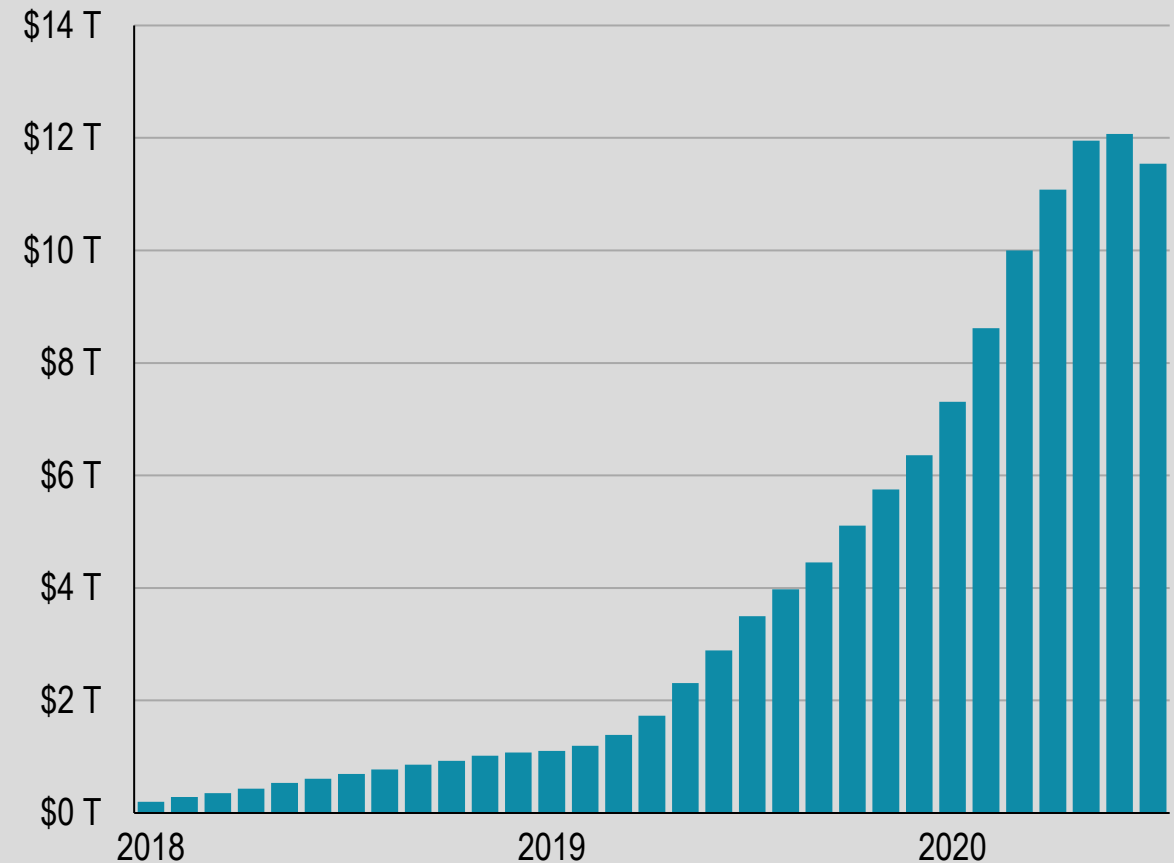
Tether Stablecoin



Tether is a stablecoin cryptocurrency with its value linked to the U.S. dollar. Since being created in 2014, Tether stablecoin has risen in popularity to become the top stablecoin in terms of transaction volumes and market cap.

Daily trading volumes typically approach or exceed \$20 billion, with trailing 12-month volumes recently surpassing \$12 trillion.

Tether Transaction Value
Trailing 12-Month Total



Source: CoinMarketCap

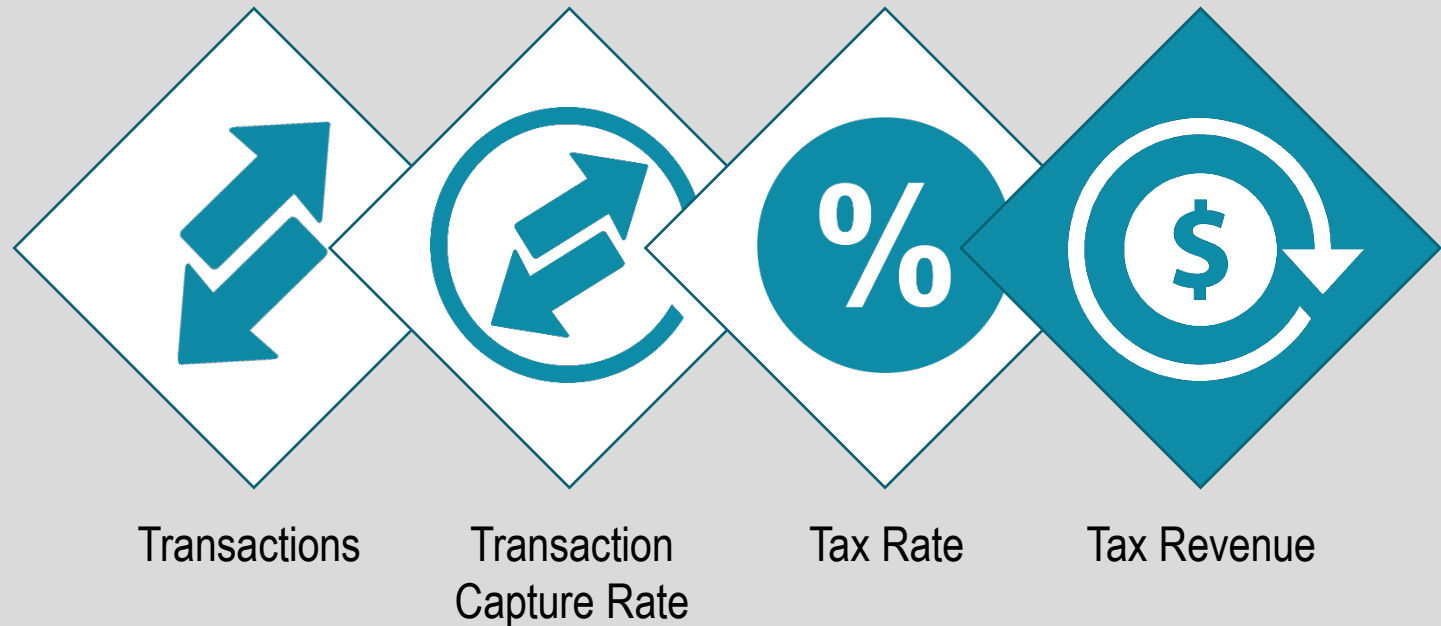
Blockchains Stablecoin

Blockchains LLC would create a new stablecoin cryptocurrency that would serve as the foundation for commerce in its Painted Rock community. The stablecoin would also circulate throughout the nation and the world.

A tax on transactions processed in Nevada using the Nevada-based stablecoin would generate varying levels of revenue depending on transaction volumes, the capture rate and the tax rate.

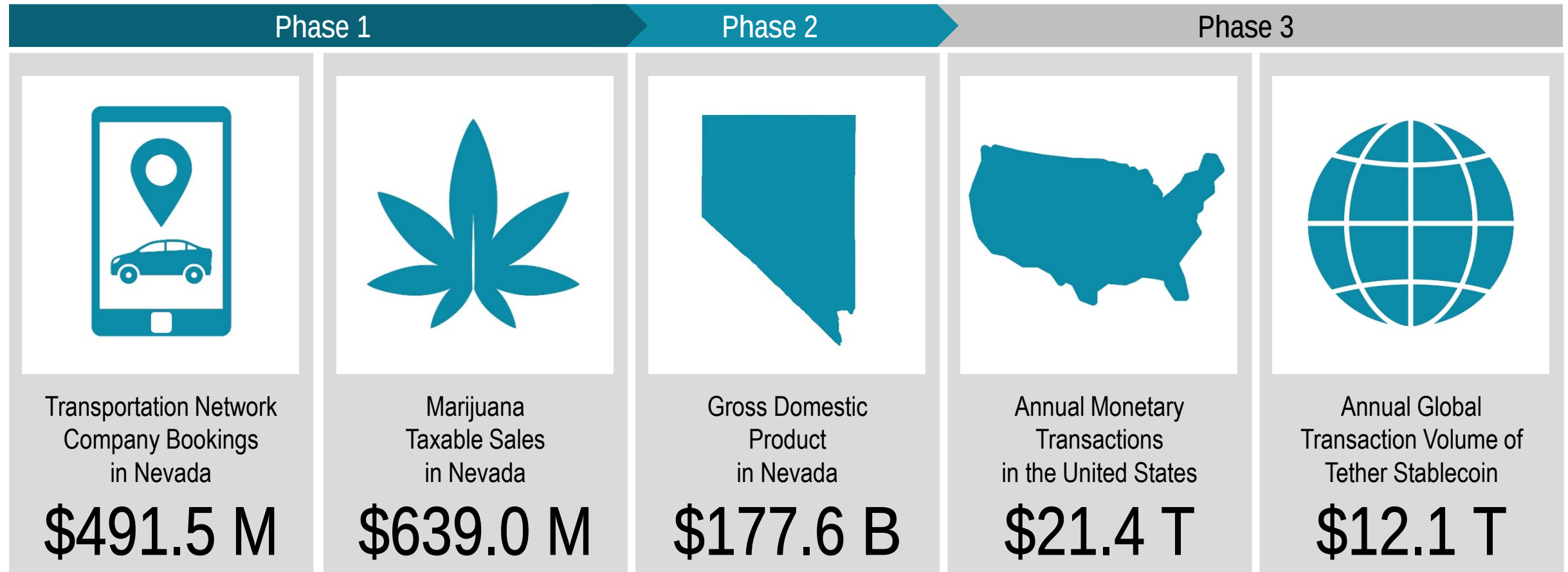
Multiple scenarios are presented in the following pages using varying levels of transaction activity to illustrate the revenue potential depending on a scale of capture and tax rates.

Stablecoin Tax Revenue Model



Stablecoin Fiscal Impact

The revenue potential of a stablecoin transaction tax depends in part on the relative size of the transaction base. For modeling purposes, five sample transaction categories were selected and used to illustrate the potential range of revenue sources. Implementation of a stablecoin transaction tax could be phased in based on the targeted transaction base, starting with selected industries before expanding to Nevada, the United States and the global cryptocurrency market.



Stablecoin Fiscal Impact

The examples below illustrate the underlying mathematical steps to calculate potential revenue scenarios of a stablecoin transaction tax.



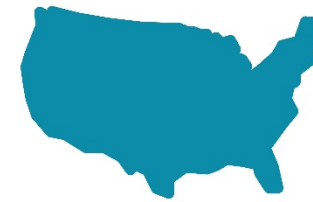
Transportation Network
Company Bookings
in Nevada



Marijuana
Taxable Sales
in Nevada



Gross Domestic
Product
in Nevada



Annual Monetary
Transactions
in the U.S.



Annual Global
Transaction Volume of
Tether Stablecoin

Transaction Value	\$491.5 Million	\$639.0 Million	\$177.6 Billion	\$21.4 Trillion	\$12.1 Trillion
X Capture Rate	50%	50%	15%	5%	100%
X Tax Rate Per \$1,000	\$1.00	\$1.00	\$0.50	\$0.25	\$0.25
= Tax Revenue	\$245,800	\$319,500	\$13,321,100	\$267,696,800	\$3,017,097,000

Stablecoin Fiscal Impact

Nevada – Transportation Network Companies (\$491.5 Million Tax Base)											
		Transaction Capture Rate									
		10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Tax Rate (per \$1,000)	\$0.01	\$492	\$983	\$1,475	\$1,966	\$2,458	\$2,949	\$3,441	\$3,932	\$4,424	\$4,915
	\$0.02	\$983	\$1,966	\$2,949	\$3,932	\$4,915	\$5,898	\$6,881	\$7,864	\$8,847	\$9,830
	\$0.05	\$2,458	\$4,915	\$7,373	\$9,830	\$12,288	\$14,745	\$17,203	\$19,660	\$22,118	\$24,575
	\$0.10	\$4,915	\$9,830	\$14,745	\$19,660	\$24,575	\$29,490	\$34,406	\$39,321	\$44,236	\$49,151
	\$0.15	\$7,373	\$14,745	\$22,118	\$29,490	\$36,863	\$44,236	\$51,608	\$58,981	\$66,354	\$73,726
	\$0.20	\$9,830	\$19,660	\$29,490	\$39,321	\$49,151	\$58,981	\$68,811	\$78,641	\$88,471	\$98,302
	\$0.25	\$12,288	\$24,575	\$36,863	\$49,151	\$61,438	\$73,726	\$86,014	\$98,302	\$110,589	\$122,877
	\$0.50	\$24,575	\$49,151	\$73,726	\$98,302	\$122,877	\$147,452	\$172,028	\$196,603	\$221,178	\$245,754
	\$0.75	\$36,863	\$73,726	\$110,589	\$147,452	\$184,315	\$221,178	\$258,041	\$294,905	\$331,768	\$368,631
	\$1.00	\$49,151	\$98,302	\$147,452	\$196,603	\$245,754	\$294,905	\$344,055	\$393,206	\$442,357	\$491,508
	\$1.25	\$61,438	\$122,877	\$184,315	\$245,754	\$307,192	\$368,631	\$430,069	\$491,508	\$552,946	\$614,385
	\$1.50	\$73,726	\$147,452	\$221,178	\$294,905	\$368,631	\$442,357	\$516,083	\$589,809	\$663,535	\$737,261
	\$2.00	\$98,302	\$196,603	\$294,905	\$393,206	\$491,508	\$589,809	\$688,111	\$786,412	\$884,714	\$983,015
	\$2.50	\$122,877	\$245,754	\$368,631	\$491,508	\$614,385	\$737,261	\$860,138	\$983,015	\$1,105,892	\$1,228,769
	\$3.00	\$147,452	\$294,905	\$442,357	\$589,809	\$737,261	\$884,714	\$1,032,166	\$1,179,618	\$1,327,071	\$1,474,523

Stablecoin Fiscal Impact

Nevada – Marijuana Taxable Sales (\$639.0 Million Tax Base)											
		Transaction Capture Rate									
		10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Tax Rate (per \$1,000)	\$0.01	\$639	\$1,278	\$1,917	\$2,556	\$3,195	\$3,834	\$4,473	\$5,112	\$5,751	\$6,390
	\$0.02	\$1,278	\$2,556	\$3,834	\$5,112	\$6,390	\$7,668	\$8,946	\$10,225	\$11,503	\$12,781
	\$0.05	\$3,195	\$6,390	\$9,586	\$12,781	\$15,976	\$19,171	\$22,366	\$25,561	\$28,757	\$31,952
	\$0.10	\$6,390	\$12,781	\$19,171	\$25,561	\$31,952	\$38,342	\$44,732	\$51,123	\$57,513	\$63,904
	\$0.15	\$9,586	\$19,171	\$28,757	\$38,342	\$47,928	\$57,513	\$67,099	\$76,684	\$86,270	\$95,855
	\$0.20	\$12,781	\$25,561	\$38,342	\$51,123	\$63,904	\$76,684	\$89,465	\$102,246	\$115,026	\$127,807
	\$0.25	\$15,976	\$31,952	\$47,928	\$63,904	\$79,879	\$95,855	\$111,831	\$127,807	\$143,783	\$159,759
	\$0.50	\$31,952	\$63,904	\$95,855	\$127,807	\$159,759	\$191,711	\$223,662	\$255,614	\$287,566	\$319,518
	\$0.75	\$47,928	\$95,855	\$143,783	\$191,711	\$239,638	\$287,566	\$335,494	\$383,421	\$431,349	\$479,277
	\$1.00	\$63,904	\$127,807	\$191,711	\$255,614	\$319,518	\$383,421	\$447,325	\$511,228	\$575,132	\$639,036
	\$1.25	\$79,879	\$159,759	\$239,638	\$319,518	\$399,397	\$479,277	\$559,156	\$639,036	\$718,915	\$798,794
	\$1.50	\$95,855	\$191,711	\$287,566	\$383,421	\$479,277	\$575,132	\$670,987	\$766,843	\$862,698	\$958,553
	\$2.00	\$127,807	\$255,614	\$383,421	\$511,228	\$639,036	\$766,843	\$894,650	\$1,022,457	\$1,150,264	\$1,278,071
	\$2.50	\$159,759	\$319,518	\$479,277	\$639,036	\$798,794	\$958,553	\$1,118,312	\$1,278,071	\$1,437,830	\$1,597,589
	\$3.00	\$191,711	\$383,421	\$575,132	\$766,843	\$958,553	\$1,150,264	\$1,341,975	\$1,533,685	\$1,725,396	\$1,917,107

Stablecoin Fiscal Impact

Nevada – Gross Domestic Product (\$177.6 Billion Tax Base)											
		Transaction Capture Rate									
		5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
Tax Rate (per \$1,000)	\$0.01	\$88,807	\$177,615	\$266,422	\$355,229	\$444,037	\$532,844	\$621,651	\$710,458	\$799,266	\$888,073
	\$0.02	\$177,615	\$355,229	\$532,844	\$710,458	\$888,073	\$1,065,688	\$1,243,302	\$1,420,917	\$1,598,531	\$1,776,146
	\$0.05	\$444,037	\$888,073	\$1,332,110	\$1,776,146	\$2,220,183	\$2,664,219	\$3,108,256	\$3,552,292	\$3,996,329	\$4,440,365
	\$0.10	\$888,073	\$1,776,146	\$2,664,219	\$3,552,292	\$4,440,365	\$5,328,438	\$6,216,511	\$7,104,584	\$7,992,657	\$8,880,730
	\$0.15	\$1,332,110	\$2,664,219	\$3,996,329	\$5,328,438	\$6,660,548	\$7,992,657	\$9,324,767	\$10,656,876	\$11,988,986	\$13,321,095
	\$0.20	\$1,776,146	\$3,552,292	\$5,328,438	\$7,104,584	\$8,880,730	\$10,656,876	\$12,433,022	\$14,209,168	\$15,985,314	\$17,761,460
	\$0.25	\$2,220,183	\$4,440,365	\$6,660,548	\$8,880,730	\$11,100,913	\$13,321,095	\$15,541,278	\$17,761,460	\$19,981,643	\$22,201,825
	\$0.50	\$4,440,365	\$8,880,730	\$13,321,095	\$17,761,460	\$22,201,825	\$26,642,190	\$31,082,555	\$35,522,920	\$39,963,285	\$44,403,650
	\$0.75	\$6,660,548	\$13,321,095	\$19,981,643	\$26,642,190	\$33,302,738	\$39,963,285	\$46,623,833	\$53,284,380	\$59,944,928	\$66,605,475
	\$1.00	\$8,880,730	\$17,761,460	\$26,642,190	\$35,522,920	\$44,403,650	\$53,284,380	\$62,165,110	\$71,045,840	\$79,926,570	\$88,807,300
	\$1.25	\$11,100,913	\$22,201,825	\$33,302,738	\$44,403,650	\$55,504,563	\$66,605,475	\$77,706,388	\$88,807,300	\$99,908,213	\$111,009,125
	\$1.50	\$13,321,095	\$26,642,190	\$39,963,285	\$53,284,380	\$66,605,475	\$79,926,570	\$93,247,665	\$106,568,760	\$119,889,855	\$133,210,950
	\$2.00	\$17,761,460	\$35,522,920	\$53,284,380	\$71,045,840	\$88,807,300	\$106,568,760	\$124,330,220	\$142,091,680	\$159,853,140	\$177,614,600
	\$2.50	\$22,201,825	\$44,403,650	\$66,605,475	\$88,807,300	\$111,009,125	\$133,210,950	\$155,412,775	\$177,614,600	\$199,816,425	\$222,018,250
	\$3.00	\$26,642,190	\$53,284,380	\$79,926,570	\$106,568,760	\$133,210,950	\$159,853,140	\$186,495,330	\$213,137,520	\$239,779,710	\$266,421,900

Stablecoin Fiscal Impact

United States – Annual Monetary Transactions (\$21.4 Trillion Tax Base)											
		Transaction Capture Rate									
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%
Tax Rate (per \$1,000)	\$0.001	\$107,079	\$214,157	\$321,236	\$428,315	\$535,394	\$642,472	\$749,551	\$856,630	\$963,709	\$1,070,787
	\$0.002	\$214,157	\$428,315	\$642,472	\$856,630	\$1,070,787	\$1,284,945	\$1,499,102	\$1,713,260	\$1,927,417	\$2,141,575
	\$0.005	\$535,394	\$1,070,787	\$1,606,181	\$2,141,575	\$2,676,968	\$3,212,362	\$3,747,756	\$4,283,149	\$4,818,543	\$5,353,937
	\$0.007	\$749,551	\$1,499,102	\$2,248,653	\$2,998,205	\$3,747,756	\$4,497,307	\$5,246,858	\$5,996,409	\$6,745,960	\$7,495,511
	\$0.01	\$1,070,787	\$2,141,575	\$3,212,362	\$4,283,149	\$5,353,937	\$6,424,724	\$7,495,511	\$8,566,299	\$9,637,086	\$10,707,873
	\$0.02	\$2,141,575	\$4,283,149	\$6,424,724	\$8,566,299	\$10,707,873	\$12,849,448	\$14,991,023	\$17,132,597	\$19,274,172	\$21,415,747
	\$0.03	\$3,212,362	\$6,424,724	\$9,637,086	\$12,849,448	\$16,061,810	\$19,274,172	\$22,486,534	\$25,698,896	\$28,911,258	\$32,123,620
	\$0.05	\$5,353,937	\$10,707,873	\$16,061,810	\$21,415,747	\$26,769,683	\$32,123,620	\$37,477,557	\$42,831,493	\$48,185,430	\$53,539,367
	\$0.10	\$10,707,873	\$21,415,747	\$32,123,620	\$42,831,493	\$53,539,367	\$64,247,240	\$74,955,113	\$85,662,987	\$96,370,860	\$107,078,733
	\$0.25	\$26,769,683	\$53,539,367	\$80,309,050	\$107,078,733	\$133,848,417	\$160,618,100	\$187,387,783	\$214,157,467	\$240,927,150	\$267,696,833
	\$0.50	\$53,539,367	\$107,078,733	\$160,618,100	\$214,157,467	\$267,696,833	\$321,236,200	\$374,775,566	\$428,314,933	\$481,854,300	\$535,393,666
	\$0.75	\$80,309,050	\$160,618,100	\$240,927,150	\$321,236,200	\$401,545,250	\$481,854,300	\$562,163,350	\$642,472,400	\$722,781,450	\$803,090,499
	\$1.00	\$107,078,733	\$214,157,467	\$321,236,200	\$428,314,933	\$535,393,666	\$642,472,400	\$749,551,133	\$856,629,866	\$963,708,599	\$1,070,787,333
	\$1.50	\$160,618,100	\$321,236,200	\$481,854,300	\$642,472,400	\$803,090,499	\$963,708,599	\$1,124,326,699	\$1,284,944,799	\$1,445,562,899	\$1,606,180,999
	\$2.00	\$214,157,467	\$428,314,933	\$642,472,400	\$856,629,866	\$1,070,787,333	\$1,284,944,799	\$1,499,102,266	\$1,713,259,732	\$1,927,417,199	\$2,141,574,665

Stablecoin Fiscal Impact

Tether Annual Transaction Volume (\$12.1 Trillion Tax Base)											
		Transaction Capture Rate									
		10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Tax Rate (per \$1,000)	\$0.001	\$1.21 M	\$2.41 M	\$3.62 M	\$4.83 M	\$6.03 M	\$7.24 M	\$8.45 M	\$9.65 M	\$10.86 M	\$12.07 M
	\$0.002	\$2.41 M	\$4.83 M	\$7.24 M	\$9.65 M	\$12.07 M	\$14.48 M	\$16.90 M	\$19.31 M	\$21.72 M	\$24.14 M
	\$0.005	\$6.03 M	\$12.07 M	\$18.10 M	\$24.14 M	\$30.17 M	\$36.21 M	\$42.24 M	\$48.27 M	\$54.31 M	\$60.34 M
	\$0.007	\$8.45 M	\$16.90 M	\$25.34 M	\$33.79 M	\$42.24 M	\$50.69 M	\$59.14 M	\$67.58 M	\$76.03 M	\$84.48 M
	\$0.01	\$12.07 M	\$24.14 M	\$36.21 M	\$48.27 M	\$60.34 M	\$72.41 M	\$84.48 M	\$96.55 M	\$108.62 M	\$120.68 M
	\$0.02	\$24.14 M	\$48.27 M	\$72.41 M	\$96.55 M	\$120.68 M	\$144.82 M	\$168.96 M	\$193.09 M	\$217.23 M	\$241.37 M
	\$0.03	\$36.21 M	\$72.41 M	\$108.62 M	\$144.82 M	\$181.03 M	\$217.23 M	\$253.44 M	\$289.64 M	\$325.85 M	\$362.05 M
	\$0.05	\$60.34 M	\$120.68 M	\$181.03 M	\$241.37 M	\$301.71 M	\$362.05 M	\$422.39 M	\$482.74 M	\$543.08 M	\$603.42 M
	\$0.10	\$120.68 M	\$241.37 M	\$362.05 M	\$482.74 M	\$603.42 M	\$724.10 M	\$844.79 M	\$965.47 M	\$1,086.16 M	\$1,206.84 M
	\$0.25	\$301.71 M	\$603.42 M	\$905.13 M	\$1,206.84 M	\$1,508.55 M	\$1,810.26 M	\$2,111.97 M	\$2,413.68 M	\$2,715.39 M	\$3,017.10 M
	\$0.50	\$603.42 M	\$1,206.84 M	\$1,810.26 M	\$2,413.68 M	\$3,017.10 M	\$3,620.52 M	\$4,223.94 M	\$4,827.36 M	\$5,430.78 M	\$6,034.19 M
	\$0.75	\$905.13 M	\$1,810.26 M	\$2,715.39 M	\$3,620.52 M	\$4,525.65 M	\$5,430.78 M	\$6,335.90 M	\$7,241.03 M	\$8,146.16 M	\$9,051.29 M
	\$1.00	\$1,206.84 M	\$2,413.68 M	\$3,620.52 M	\$4,827.36 M	\$6,034.19 M	\$7,241.03 M	\$8,447.87 M	\$9,654.71 M	\$10,861.55 M	\$12,068.39 M
	\$1.50	\$1,810.26 M	\$3,620.52 M	\$5,430.78 M	\$7,241.03 M	\$9,051.29 M	\$10,861.55 M	\$12,671.81 M	\$14,482.07 M	\$16,292.33 M	\$18,102.58 M
	\$2.00	\$2,413.68 M	\$4,827.36 M	\$7,241.03 M	\$9,654.71 M	\$12,068.39 M	\$14,482.07 M	\$16,895.74 M	\$19,309.42 M	\$21,723.10 M	\$24,136.78 M



OPPORTUNITY & INNOVATION IN NEVADA

PROPRIETARY AND CONFIDENTIAL DRAFT