

NEVADA *R*estore *E*conomic *D*evelopment **ZONE**

INITIATIVE PROPOSAL

JANUARY 2023

PRESENTED BY



“This could be the single factor that determines whether our economically stressed communities are able to capitalize on opportunity, move forward and prosper or simply wither away into oblivion.”

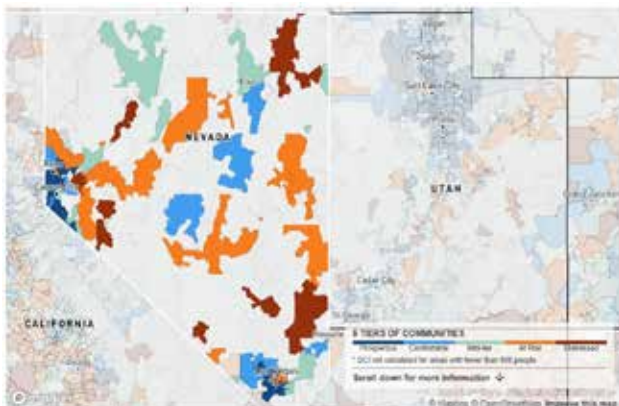
PURPOSE

Ask any civic leader, economic developer, or real estate agent around the state what the primary obstacle is to reaching our economic potential in Nevada and nearly every response will be the same, “housing.” From the inner cities of Las Vegas to the remote towns of rural Nevada, all struggle to provide efficient housing for their current workforce and that projected for the future. Housing (in rural Nevada, any building in general) appears to be the “lead domino” that will ignite our economic development efforts and allow the state to quickly resolve other issues stifling economic development within Nevada (workforce, economic diversification, etc.)

First, The Nevada Restore Economic Development (N-RED) Zone concept WILL NOT REQUIRE ANY ADDITIONAL FUNDING. N-RED is loosely modeled after the federal Opportunity Zone program as outlined in the 2017 Tax Cuts and Jobs Act. The prospective program will identify economically stressed tracts within the state and provide operational incentives that allow for both flexibility and expedited processing in licensing, bonding, and waivers associated with construction, healthcare, and education. This is a policy based initiative that is recommended to last between three and five years in hopes that it will no longer be needed after the selected time frame. The overall concept is unprecedented and unlike anything seen in any other state; however, extraordinary problems require extraordinary solutions.

DATASET

All data and information contained herein are based on values provided either by the US Census Bureau; American Community Survey, 5-Year Estimates; 2013-2019 or the Nevada State Demographer Certified Population Estimates of Nevada’s Counties, cities and Towns 2001 to 2021 and do not take into consideration national events and influx of population realized since that time.



N-RED TRACT SELECTION

The state of Nevada will utilize a third party data and analysis group to determine the stress levels of Nevada census tracts. The Economic Innovation Group (EIG) produces a Distressed Communities Index interactive map that is updated annually to show various stress level (Prosperous, Comfortable, Mid-tier, At Risk, Distressed) census tracts throughout the state. It is important to note that they do not include any tract that has less than 500 people.

2022 DCI Interactive Map - Economic Innovation Group (eig.org)

N-RED Categories & Incentives

It is reasonable to assume that census tracts that occupy the top tiers of the stress index are those in need of the most assistance. These areas within the state have the highest poverty rates, lowest median household incomes, and the most amount of adults not working. As a result, it is recommended that the Nevada Governor’s Office recognize, include, and select as N-RED zones both “At Risk” and “Distressed” census tracts.

AT-RISK CENSUS TRACT INCENTIVES & BENEFITS

RECIPROCATING LICENSURES

The state of Nevada will adjust policy to allow professionals (Nurses & Healthcare, Teachers, General Contractors & Builders) holding licenses in good standing for no less than three years from Nevada’s neighbouring states (California, Oregon, Idaho, Utah, & Arizona) to conduct business within the N-RED Zone so long as they adhere to all relevant Nevada and local operating standards/codes.

PREVAILING WAGE WAIVERS

The state of Nevada will adjust policy to ensure projects within the N-RED zone receive a prevailing wage waiver on all projects both public and private.

BID LIMIT WAIVERS

The state of Nevada will forgo bid limit requirements for general contractors who are building projects within the N-RED zone.

BOND FLEXIBILITY

The state of Nevada will take appropriate steps to consider specific projects that are requesting bond flexibility. Companies with a demonstrated track record of project completion will be allotted flexibility on their bond requirements to allow for and encourage further development.

MOD HOME INSTALL WAIVER

The state of Nevada will take appropriate steps to waive modular home installation licenses as outlined in NRS 624, 461, & 489 for general contractors operating and installing homes within a N-RED Zone.

CODE FLEXIBILITY

The state of Nevada will take appropriate steps to consider specific projects that are requesting building code flexibility. Officials should take into consideration the location and use of a commercial/Industrial building when determining what requirements are relevant and which are not. For example, a commercial warehouse storing potatoes in rural Nevada should not have the same fire code requirements as the MGM on the Las Vegas strip.

DISTRESSED CENSUS TRACT INCENTIVES & BENEFITS

AT RISK BENEFITS

Communities within the “Distressed” level will receive all of the same benefits and incentives as those mentioned in the “At-Risk” category.



HOME MEANS NEVADA GRANT ALLOCATION

According to the Governor’s Office press releases published on October 27th 2022 and December 5th 2022 there is approximately \$105 million left of that grant. It is recommended that the remainder of those funds be distributed to local jurisdictions to be used and set up as a subsidy fund that contractors doing projects within those jurisdictions can apply for to offset the costs associated with their projects. According to the Economic Innovation Group Stress Map, there are currently 21 census tracts that fall within the “Distressed” category. This amounts to \$5 million per census tract. Population need not be considered as federally recognized census tracts have anywhere from 2,500 to 8,000 in population.

As a note, the Home Means Nevada program has currently allocated \$395 million to date for Nevada housing. Basic calculations show that over \$377M of that went to Washoe and Clark Counties along with Carson City. Of the \$18M awarded everywhere else, only \$10M of that was designated specifically for “Rural” Nevada (One awardee being designated “Statewide”). In other words, rural Nevada has been awarded only 2.7% of those funds with 97.2% going to three Nevada Counties. Rural Nevada makes up 11% of NV’s total population.

Operation, Evaluation & Termination

OPERATION

Upon approval and/or adoption, the state of Nevada Legislative Council Bureau will evaluate required NRS and NAC’s to determine what additions and modifications need to be made to relevant documents. A time period specifying when the program will commence and when it will be terminated will be determined. Oversight and evaluation of the program will be conducted by the Nevada Governor’s Office of Economic Development.

Administration and verification of reciprocating licenses will be conducted by either the city or the county (based on overall capacity to administer) by which the N-RED designation is made. All building requirements and codes that are in place within the local jurisdiction will remain in place and their compliance verified by the local building and planning departments. In the case of healthcare professionals and educators, credentials will be verified and checked against the qualifying participants (neighbouring states) by the employer’s human resources department who are hiring said individuals.

Individuals participating and working within a N-RED zone and utilizing these benefits will be encouraged, but not required, to secure a local Nevada license. Further, they will be given notice that their employment and project opportunity will end once the termination date of the N-RED initiative has transpired.

Evaluation

On an annual basis, the Governor's Office of Economic Development will conduct an evaluation to determine overall progress of the initiative. Representatives from GOED will connect with participating N-RED zone administrators (several zones may fall under a single jurisdiction) and determine whether or not the program is allowing for and yielding additional development. GOED representatives can then brief the Governor's Office on recommended changes depending on progress within each N-RED zone or changes made to the Economic Innovation Group Distressed Communities Index map.

Termination

At the end of the selected period, termination of the program will commence. Any professional working within a N-RED zone who has not secured the required state licenses relevant to their duties will have 2 weeks to resign their position or be terminated by their employer. No new construction projects led by an out of state contractor falling under the criteria of this initiative will be approved. Any projects or contractors working with said projects in progress during the termination of this initiative will be allowed to remain until the project has reached its completion.

GOED may recommend that the Governor's Office terminate or extend the initiative prior to the previously determined time period depending on overall success of the initiative.



Case Study: Jackpot, NV

Jackpot, Nevada has been welcoming nearly 5,000 visitors daily into Nevada for over half a century. The quaint little town that resides on the far northern border of the state epitomizes, on a micro scale, the dichotomies that exist within Nevada. A 45-minute drive from Idaho's Magic Valley, Jackpot resides in a sea of sagebrush that holds overwhelming outdoor recreational potential while hosting two of the most regularly visited resort and casinos in Northern Nevada. 944 people call Jackpot home and work hard to ensure that their friends and neighbours have the resources that lead to a pleasant and meaningful quality of life. For decades the town has strove to reach the one thousand population mark in hopes to incorporate and become their own independent community.



Jackpot's Challenges

SINGLE INDUSTRY

Jackpot, like so many small towns in America rely heavily on a single industry, gaming & hospitality. The community was decimated during the COVID-19 pandemic witnessing unemployment rates at 95% due to the fact that nearly every resident within the community works within this single industry. Because a majority of the total workforce in Jackpot lives in Idaho, many simply found jobs closer to home. With that said, Jackpot still experienced a population decrease of nearly 2% between 2020 and 2021.

NEW INTERESTS & DEVELOPMENT – NO HOMES

As the nation and state recovered from the pandemic, Jackpot has experienced a fair amount of renewed interest. The last three years have seen the development of a Dotty's Casino, Bourbon Street Bar & Grill, Thrive Cannabis Dispensary, and a Loves Truck stop that is currently under construction. Each one of these establishments require anywhere from 15-30 full time employees to operate. Unfortunately, there are currently NO homes available for purchase in Jackpot – not a single one as this document is written. Most of the housing in Jackpot is multi-family; however, investors have recently purchased these properties and consistently raised the rent beyond the median income of the local residents – in some cases nearly 300%. These residents would rather put that money towards a mortgage but there's simply nothing to buy. As a result, they often look for work and housing in Southern Idaho.

TOO CLOSE, YET TOO FAR AWAY

Because Jackpot is a mere 45-minute drive from Twin Falls, Idaho, local officials and regional economic developers alike have tried to encourage Idaho developers to secure a Nevada Contractors License and build in Jackpot. The resounding response has been consistent, Idaho builders believe the Nevada Licensing requirements are too onerous and have no interest in securing such a license for what would be a small project in Jackpot. Contrary to this, Jackpot is an approximate 1 hour and 45-minute drive to Elko, Northeastern Nevada's economic center and closest Nevada licensed contractors. Due to the demand in the Elko area, local builders have no interest in transporting workers and materials nearly 2 hours one way to build in an area that will yield far less returns than what they can realize in their own back yard.

Elko County, in conjunction with the Town of Jackpot, dedicated \$500K in ARPA dollars to help offset housing construction costs within the town. An RFI went out in the Fall of 2022, and although there was a lot of interest, there were no responses. This indicates one of two things. Either this allotment was not enough to make a housing development feasible, or it is simply not about money and rather about the policies and licensing requirements that are restricting those contractors who reside in the closest proximity to the town.

In February of 2022, the Northeastern Nevada Regional Development Authority conducted a housing evaluation for its region and found that before the pandemic Jackpot was growing at a rate of nearly 15 people per year between 2015 and 2020. Assuming those trends continue after the COVID recovery, Jackpot would require a total of 4.3 units constructed annually based on standard household values. Jackpot has not had a home for sale on the market in nearly five years.

This resonates beyond the basic construction of homes or buildings within the town. Simple repairs on infrastructure and utilities can be an enormous challenge due to the issues listed above. Recently, a county owned structure experienced an HVAC failure in the dead of winter. Local managers tried to secure an HVAC professional from Twin Falls but could not find anyone with Nevada credentials able to rapidly (within a day or two) respond to the issue. Elko based HVAC companies simply refused to drive the 117-mile trek in winter conditions to respond to the dilemma. As a result, local managers crossed fingers for several weeks hoping pipes would not freeze and lead to extensive damage of the facility.

Jackpot's Opportunities

As alluded above, Jackpot has several opportunities that could change the dynamic of the town and steer a course that leads to success and a great quality of life for its residents.

- Businesses are interested in Jackpot – this is evident by the recent development that has been experienced in the last two years.
- People want to live in Jackpot – Local officials have indicated that they get anywhere from 2-4 calls per week from people seeing if there are home buying options in Jackpot. Many local renters would prefer to buy a home rather than rent an apartment.
- People are being pushed out of Idaho – Many Idaho residents who live in and around Twin Falls are being priced out of the market in that region due to explosive growth.

What Could N-RED Do Here?

The Economic Innovation Group has designated the Jackpot Census tract “Distressed” with a 92.6 rating, one of the highest in the state. Adopting the N-RED model would immediately allow contractors from Idaho, less than an hour’s drive, to service Jackpot’s needs and potentially build much needed housing. Further, the waiving of the prevailing wage requirement would then make several community building projects feasible allowing the town to build and occupy a new and improved fire station, along with other proposed civic facilities. Existing government and commercial buildings would not have to wait days and even weeks for repairs that require a Nevada technician from over 100 miles away. Nurses from Idaho could work in the local clinic allowing for around the clock care not only for Jackpot residents but the thousands who visit their resort and casinos on the weekends. \$5 Million in Home Means Nevada funding could potentially eliminate all housing demand for this community now and several years into the future.

In Conclusion...

The N-RED Zone initiative is a bold effort to address the housing, building, healthcare, and education shortages that we experience in both urban and rural Nevada. It will likely not solve every problem that we face within the state but it will undoubtedly give more opportunities to those census tracts within Nevada that have been historically neglected and overlooked for decades... perhaps, in some cases, have always been overlooked.

This program provides opportunities to urban and rural communities alike. Rural communities such as Jackpot who currently have no homes on the market, with no prospective developments, and no contractors/builders nearby (within the state) to enlist for building will finally have a chance to realize their potential. Urban communities who have had for years, a plethora of builders and workforce available within a 20-mile radius will be able to leverage these assets and the incentives and benefits associated with N-RED to make remodels and new builds feasible and affordable within their jurisdictions.

The N-RED Zone initiative is a simple and low cost concept that could make a tremendous difference in the parts of the Nevada that need it the most. It will most certainly come with opposition from those who fear such policy changes might affect their revenue stream. With that said, it’s safe to assume that few if not any of these businesses actually work within these distressed communities, and thus, will not experience any decline in their operations. The fact is, the state of Nevada needs a program that is very innovative and unique if we are going to see the kind of change that will make a difference to our state. The Nevada Restore Economic Development (N-RED) Zone initiative has the potential to create a “Domino Effect” generating untold economic potential for ALL of Nevada.



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