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Sisolak says Innovation Zones would bring massive investment

By **Colton Lochhead** Las Vegas Review-Journal

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CARSON CITY — Gov. Steve Sisolak on Friday laid out his vision for a proposal that would allow technology companies to create a new form of local government within Nevada wielding county-like powers, saying that it would lead to “massive economic investment” as the state pushes to diversify its economy.

Sisolak called the proposal a “unique and bold idea” that he sees as a key to helping the state rebuild its economy, which has been devastated by the COVID-19 pandemic, and pushed back against critics who argue that the move would give too much power to private technology companies. The zones, Sisolak said, offer a way forward for the state to attract new technology companies without the use of incentive packages, tax credits or public funding.

“In short, what we’ve been doing here has not worked,” Sisolak said, referring to the state’s previous economic development plans during a roundtable

discussion with Governor's Office of Economic Development Director Michael Brown and Jeremy Agüero, principal analyst at Applied Analysis.

Sisolak said he anticipated that the proposal would not be met with wide praise and that he expects plenty of "naysayers" and those who "want to pick apart the proposal."

"I just ask that all involved understand that the end goal is a massive economic development investment in Nevada, and a chance to set down a marker that Nevada is the blockchain technology center of the world," Sisolak said.

Sisolak also pushed back on some of the criticisms that that has been levied against the proposal since the draft became public that it would lead to modern-day "company towns," a phrase that refers to a community in which nearly all stores, housing and other facilities are owned by the area's main employer.

"An Innovation Zone is a self-governing community, organized much like a traditional city or county but wholly focused on the development of innovative and advanced technologies. It is not a 'company town,'" Sisolak said.

Smart city

Sisolak said in January that Blockchains LLC, the tech firm owned by lawyer and cryptocurrency millionaire Jeffrey Berns that bought 67,000 acres of land in Storey County in 2018, had committed to building a smart city in Northern Nevada that would run entirely on blockchain technology once the legislation was approved.

During the virtual presentation, Brown detailed some of the economic impacts that could be reaped from Blockchains LLC's proposal, which included claims

of more than 100,000 jobs between construction and permanent tech jobs and billions of dollars in both wages and total economic output.

According to a draft of the proposed legislation, which has not yet been introduced in the Legislature, the Innovation Zones would carry the same authority as a county in Nevada, including the ability to impose and collect taxes, form school districts and justice courts and provide government services.

The company or firm applying for the zone would have significant say over who would sit on that board initially. The governor would appoint all three members to the first terms, but two of the members would have to come from a list of five people provided by the applicant.

Any company that would apply to form an Innovation Zone would have to own at least 50,000 acres of undeveloped and uninhabited land, all within a single county but separate of any city, town or tax increment area. The company would also need to have \$250 million, and a plan to invest an additional \$1 billion over 10 years into the zone.

“Opportunity’s knocking here with a multi-generational employment opportunity that does not involve abatements, it does not involve incentives,” Brown said. “It does place the risk on the developer, not the state.”

Sen. James Settelmeyer, R-Minden, whose district includes the area where Blockchains is proposing to build its smart city, said the proposal would put some risk on the counties where the Innovation Zones would initially be set up.

Settelmeyer said he is supportive of the concept of developing a smart city, and that it has “tremendous potential.”

“However, it has to be done correctly so that the region doesn’t unnecessarily take the risk,” he said.

Water question

Questions about where the developer would get enough water and other natural resources for the project have arisen.

“The most important question to ask about a new city in Nevada is: where’s the water going to come from? And with Blockchains we know their plans — it’s a massive water grab from rural Nevada,” said Patrick Donnelly, state director with the Center for Biological Diversity, in a statement. “Blockchains is setting the stage for a good old fashioned Nevada water war, and the Center and our allies are ready for the fight.”

“Governor Sisolak wants to give the keys to our state to tech bros, while enabling a water grab which would destroy the environment. We oppose this outrageous corporate giveaway and we oppose the Innovation Zones legislation,” Donnelly added.

Sisolak said “we’re always concerned about water in Nevada” when asked whether it was responsible to promote large-scale developments where water was scarce.

The latest draft of the proposal also includes language that says that the traditional local government model is “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,” and that this

“alternative form of local government” is needed to aid economic development in the state.

While Sisolak called the concept unique, Brown said that “innovation zones such as this are not new,” and that other iterations have typically operated within various cities in urban renewable efforts.

When asked why this concept could not work within an existing government structure in Nevada, Aguero, from Applied Analysis, said that the technologies and size of development that would be going into these areas, likely be in rural Nevada, would prove to be massive shifts for the current governmental structures to handle.

“I don’t think there’s just one reason, but I think there’s many reasons why having a new political subdivision makes logical sense in terms of administering it in an effective way,” Aguero said.

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