



Funding Economic Development in Nevada: Tourism Improvement Districts

Frederick Steinmann, Extension Educator/Assistant Professor

This fact sheet is the third of five separate University of Nevada Cooperative Extension fact sheets exploring different local economic development funding tools in Nevada. This third fact sheet explores the related impact and legal aspects of the use of Tourism Improvement Districts (TIDs) and the use of Sales Tax Anticipated Revenue (STAR) bonds in the State of Nevada.

Nevada Revised Statutes (NRS) 271A "Tourism Improvements" contains the legal structure of TIDs and other related state

regulations on the purpose, the creation and the activities of local TIDs and STAR bonds in Nevada.

Current Use

Table 1 presents the total number of local TIDs and the combined total amount of revenue generated from all TIDs in each county in Nevada according to the Nevada Department of Taxation (2012), Division of Local Government Services for FY 2011 and FY 2012.

Table 1 Total Number and Total Value of all TIDs Active in Nevada FY 2011 and FY 2012				
County	Number of Active TIDs FY 2011	Number of Active TIDs FY 2012	Revenue Generated From all Active TIDs FY 2011	Revenue Generated From all Active TIDs FY 2012
Carson City	0	0	-	-
Churchill County	0	0	-	-
Clark County	0	0	-	-
Douglas County	0	0	-	-
Elko County	0	0	-	-
Esmeralda County	0	0	-	-
Eureka County	0	0	-	-
Humboldt County	0	0	-	-
Lander County	0	0	-	-
Lincoln County	0	0	-	-
Lyon County	0	0	-	-
Mineral County	0	0	-	-
Nye County	0	0	-	-
Pershing County	0	0	-	-
Storey County	0	0	-	-
Washoe County	2	2	\$7,453,708	\$9,476,247
White Pine County	0	0	-	-
TOTAL	2	2	\$7,453,708	\$9,476,247

Source: Nevada Department of Taxation, Division of Local Government Services

In FY 2011 and FY 2012, there were only two TIDs active in the entire state, with both active TIDs located in Washoe County (one in the City of Reno and one in the City of Sparks). Between FY 2011 and FY 2012, the total amount of incremental sales tax revenue collected in all active TIDs across the State of Nevada increased, growing from approximately \$7.5 million in FY 2011 to approximately \$9.5 million in FY 2012, a net increase of approximately \$2.0 million or 27.13 percent.

Purpose

According to the State of Nevada Legislative Counsel Bureau, Fiscal Analysis Division (2009), "The use of a TID and the associated STAR bonds is an economic development tool specifically designed to aid in the attraction and creation of retail businesses that will attract visitors to a market, as well as allow residents to partake of the retail business."

Although NRS 271A contains the current legal structure of TIDs and STAR bonds in Nevada, Nevada Senate Bill 495 (2003 Session) and Nevada Senate Bill 306 (2005 Session) contain the authorizing legislation for TIDs and STAR bonds in Nevada. According to the State of Nevada Legislative Counsel Bureau, Fiscal Analysis Division (2009), both Nevada Senate Bill 495 and Nevada Senate Bill 306 contain the following preamble:

"Whereas, The State Legislature recognizes the importance of economic development and tourism to the State of Nevada and the need to compete effectively with other states in the promotion of economic development and tourism; and

Whereas, It is the intention of the State Legislature for the provisions of this act to be carried out for the promotion of economic development and tourism in

the State of Nevada and for no other purpose."

In short, the purpose of TIDs and STAR bonds in Nevada is to attract new tourism-oriented retail, as a way of increasing tourism counts in communities in the state of Nevada, by using the incremental sales tax revenues generated from those new tourism-oriented retailers to offset the cost of acquisition, demolition and construction associated with new tourism-oriented retail development.

Creation and Use

NRS 271A.080 contains eight prerequisites for the adoption of an ordinance by the authorizing governing body (a municipality or county government). The governing body cannot create a TID unless each of the following requirements in NRS 271A.080 are met:

- The governing body has determined that no retailers will have maintained or will be maintaining a fixed place of business within the TID on or within 120 days preceding the date of the TID's creation. If the boundaries of the TID are amended to add additional area, the governing body must determine that no retailers will have maintained or will be maintaining a fixed place of business within that additional area on or within 120 days preceding the adoption of the additional area.
- The governing body has made a written finding at a public hearing that the project (the new retailer(s)) will benefit the district (TID).
- The governing body has made a written finding, using independent consultants, at a public hearing as to whether the project and the financing of the project with pledged sales and use tax revenue will have a positive fiscal effect on the

provision of the local government services.

- The governing body has provided to the board of trustees of the locally impacted school district, at least 45 days before making the written finding listed above, each analysis prepared by or for or presented to the governing board regarding the fiscal effect of the project and the use of the pledged sales-and-use tax revenues on the provision of local government services, including education.
- If the governing board is a municipality, the governing board must provide the impacted county government, through the board of county commissioners, with the same information provided to the impacted school district and listed above.
- The governing board has determined that as a result of the project, retailers will locate businesses within the TID and there will be a substantial increase in sales-and-use taxes remitted by businesses within the TID, and that a preponderance of the increase in the sales-and-use taxes will be attributable to sales of retail goods and services to tourists who are not residents of Nevada.
- The Nevada Commission on Tourism has determined, at a public hearing, that a preponderance of the increase in sales-and-use tax revenues within the TID will be attributable to sales of retail goods and services to tourists who are not residents of Nevada.
- The Governor of the State of Nevada has determined that the project and the pledge of the sales-and-use tax revenues from the TID will contribute significantly to the economic development and tourism in Nevada.

NRS 271A.070 contains the provisions established in state law for the creation of a TID and the pledge of sales-and-use taxes to develop a project within the TID. Once each one of the above mentioned eight prerequisites are met, the governing body (either a board of county commissioners or a city council) can create a TID by adoption of a single ordinance with the purpose of completing a project designed to attract visitors to the area and generate retail sales. In the same ordinance or in a separate ordinance, the governing body may also pledge up to 75 percent of the sales-and-use taxes generated from the state tax rate (2.0 percent), the Local School Support Tax rate (2.25 percent), and the Basic and Supplemental City/County Relief Tax rate (2.25 percent).

Powers and Activities

The ability of the governing body to pledge up to 75 percent of the sales-and-use taxes generated from the state tax rate (2.0 percent), the Local School Support Tax rate (2.25 percent), and the Basic and Supplemental City/County Relief Tax rate (2.25 percent) permits the governing body to issue long-term debt, in the form of a Sales Tax Anticipated Revenue bond, to fund the development of the proposed project within the TID.

Depending on the location of the TID, in a city or county with a population of 700,000 or more or in a city or county with a population of less than 700,000, the type of project that the TID and STAR bonds can fund vary in NRS 271A.050. In a county with a population of 700,000 or more, a project means an art project (as defined by NRS 271.037); a tourism and entertainment project (as defined by NRS 271.234); or a sports stadium that can be used for home games of a Major League Baseball or National Football League team; and for other purposes including structures, buildings, and other improvements and equipment. Cities located in a county with a

population of 700,000 or more may pursue each of these three projects plus any recreational project (as defined by NRS 268.710).

NRS 271A.120 governs the issuance of bonds, in the form of a Sales Tax Anticipated Revenue bond, as well as agreements to reimburse entities for project costs, requirements for feasibility studies, defaults on bonds or reimbursement agreements, security of bonds and agreements, and the termination period for bonds. Under this section and other sections of NRS 271A, if the governing body of a municipality or county adopts an ordinance creating a TID, the jurisdiction may:

- Issue bonds or notes as special obligations to finance or refinance projects proposed or built to benefit the TID. All bonds and notes issued in benefit of the TID may be secured by a pledge of the sales-and-use tax revenues authorized in NRS 271A.070, by any revenue received by the governing body from any revenue-producing projects in the TID, or any combination thereof.
- Enter into an agreement with one or more governmental entities (federal, state, local, etc.) or other persons to reimburse that entity or person for the cost of acquiring, improving, or equipping any project, including the payment of reasonable interest and other financing costs incurred by the entity or person.

The ability to issue long-term Sales Tax Anticipated Revenue (STAR) bonds, backed by annual collections of sales-and-use taxes from the Tourism Improvement District (TID), allows local county and municipal governments in Nevada the opportunity to fund retail-based tourism projects in areas that could potentially benefit from increased retail and tourism development.

Conclusion

Although the authorizing legislation for TIDs and STAR bonds date back to 2003 and 2005, only two municipalities, the City of Reno and the City of Sparks, have created a Tourism Improvement District and issued related Sales Tax Anticipated Revenue bonds.

References

Nevada Department of Taxation. 2012. Division of Local Government Services. *Star Bond Revenue*. Data Provided.

State of Nevada. 2012. *Nevada Revised Statutes Chapter 271A – Tourism Improvements*. <http://www.leg.state.nv.us/NRS/NRS-271A.html>.

State of Nevada Legislative Counsel Bureau, Fiscal Analysis Division. 2009. *Report on Tax Abatements, Tax Exemptions, Tax Incentives for Economic Development and Tax Increment Financing in Nevada*. Carson City, NV.