



Development Incentives Revisited: A Guide for Nevada Legislators

Background

Governor Sandoval called a special session in December 2015 to consider a development incentive package for Faraday Future, which has decided to locate in North Las Vegas. The goal of this policy brief is to (1) identify best practices for crafting development incentive programs, and (2) offer a set of recommendations for improving Nevada's return on investment (ROI) on the proposed Faraday Future incentive package.

What issues should Nevada's Legislators consider?

- Greater Accountability: Is our current system of accountability and evaluation sufficiently rigorous?
- Demands on Existing Infrastructure and the Cost of New Infrastructure: Has Nevada identified sufficient revenue streams to respond to an increased demand on infrastructure and for public services?
- Job Creation: How can Nevada ensure that companies hire locally and how can the State strengthen workforce development efforts?

Recommendations for Improving Nevada's Return on Investment

- Support the proposed recapture (clawback) provision in incentive package: The proposal indicates that Faraday will pay taxes into an account and will receive rebates only after the \$1 billion investment has been made.
- Include performance-based measures in the incentive contract with Faraday: As with Tesla, Nevada should include specific employee hiring targets to ensure Faraday utilizes local resources.
- Create a workforce development training program: Nevada needs a formal, collaborative partnership to train and supply a highly skilled workforce to meet the needs of Faraday Future.
- Identify the specific impact of Faraday Future on current and proposed highway projects: Nevada needs to build up the infrastructure near the proposed facility. The Governor's Office of Economic Development (GOED) and the Nevada Department of Transportation need to specify the impact of Faraday on current/proposed highway projects.
- Establish a government commission to monitor incentive contracts and performance targets: Comprised of various stakeholders, this committee could assess and evaluate economic impacts and performance measures.
- Encourage GOED to conduct a school facilities impact: Property tax abatements can significantly affect school districts and leave them unable to respond to business related-enrollment growth. GOED should conduct a school facilities impact report and develop a funding plan that identifies existing or new funding mechanisms to address future facility needs.
- Strengthen accountability and disclosure mechanisms and standardize reporting: GOED should standardize reporting requirements that include the range of costs and benefits.

Conclusion

While there are real costs to the State, the Faraday Future deal supports the State's goal to diversify its economy with advanced manufacturing. Jointly, Tesla Motors and Faraday, once fully operational, will provide Nevada with a critical mass of advanced manufacturing knowledge and capabilities. Additionally, the Faraday Future project provides an opportunity to jumpstart the economy of North Las Vegas, thereby minimizing the need for greater State financial assistance (e.g. social programs, etc.).

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