

City of Sparks
REDEVELOPMENT AGENCY WORKSHOP
Monday, April 17, 2006
1:30 p.m.

The Redevelopment Agency Workshop was called to order by Chairman Mike Carrigan at 1:33 p.m. in the Council Chambers, 745 Fourth Street, Sparks, Nevada.

Agency Chairman Mike Carrigan, Agency Secretary Debi Dolan, Agency Members John Mayer, Phillip Salerno, Judy Moss, Geno Martini, Ron Schmitt, Chief Administrative Officer Shaun Carey, Agency Attorney Chet Adams, Acting Chief Financial Officer Joyce Farley, PRESENT.

Staff Present: Tom Burrous, Adam Mayberry, Pete Etchart, Armando Ornelas, Randy Mellinger, Stan Sherer, Neil Krutz, Greg Salter, Kelly McGlynn, Karen Todd and Carrie Brooks.

1. Public Comment

None.

2. Discussion of Redevelopment Area 2 (Marina) - Issues and Opportunities

Redevelopment Manager Armando Ornelas introduced Civil Engineer Kelly McGlynn, who gave an update on maintenance procedures for the canal at the marina. Mr. McGlynn stated the maintenance program for the Sparks Marina canal began last Thursday with an initial application of sonar aquatic herbicide by the contractor/environmental consultant from Aquatic Environments Inc., who has been retained by the developer, Mr. David Dahl, for the entire maintenance season. He said that a representative from the Nevada Department of Agriculture was on site during the application and there were no problems noted.

Mr. McGlynn said this was the first step in a series of treatments that will take place, in addition to construction of capital improvements which include a recirculation and aeration system within the canal. He said he spoke with the developer's contractor and was told that weather permitting, they are looking forward to breaking ground with the electrical and concrete pad for the pumping facilities next Monday and that they have been given the go ahead from Sierra Pacific for the power and the Building Department has approved their plans and they are ready to pull the permit. The contractor said the improvements should be in place four to six weeks after that with a May 31st deadline imposed on Mr. Dahl for those improvements.

Mr. McGlynn said we will run the maintenance district for the summer and get a firmer idea as far as costs and the menu of items it will take to clean and maintain the canal and in the fall we will revisit actual costs. He said staff will then take a look at establishing a maintenance district in 2007 and per Mr. Dahl's agreement, he would be charged with running that district through December 31, 2007.

Agency Member Mayer questioned the maintenance district being run by Mr. Dahl. Mr. Ornelas stated that staff will be bringing the 6th Amendment to the Dahl reimbursement agreement the first week in May and per that agreement Mr. Dahl would be responsible for operating that district through the end of the next calendar year. Agency Member Mayer asked what happens after that. Mr. McGlynn said ideally, we would have a maintenance district in place and the costs would be paid for by the homeowners. Agency Member Mayer asked if the maintenance

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district would then be charged with the maintenance of the canal and not the City of Sparks. Mr. McGlynn said as he understood it, the canal was dedicated to the City sometime in 2000/2001 and the improvements will eventually be turned over to the City and become City property and it would be up to the City to maintain the improvements and the canal, but they would be paid for through the maintenance district. He said there would also be funds set aside from the maintenance district every year to cover major replacement parts over the long term.

Community Development Director Neil Krutz explained why the canal was not a loop, stating that the development plans were ultimately changed because it wasn't cost effective.

Mr. Ornelas then discussed the major points of the 6th amendment to the Dahl reimbursement agreement as follows:

1. Reinstate and extend the termination date of the agreement.
2. Provide for the City to have the opportunity to step in and address the canal maintenance issue if it is not addressed adequately this summer by Mr. Dahl.
3. Obtain from Mr. Dahl some payment toward public amenities in that area; perhaps the Centennial Light House or the amphitheater, which would come out of the proposed forth payment.
4. In general the reimbursement agreement provides for making the same payments, with the exceptions just noted, to Mr. Dahl, but for different improvements than were previously contemplated. Specifically, where as payment four was tied to the hotel project, in this amendment it would be tied to a series of condo developments. There would be three phases to the condo project that Mr. Dahl is proposing in place of the hotel and in place of the additional commercial improvements. The benefit to the Redevelopment Agency is that the value of the condo improvements will be substantially higher (more than double) than the value of the previously proposed projects.

Agency Member Carrigan asked if we had figured out how much Mr. Dahl owed in extension fees. Mr. Ornelas noted that the total fines were \$410,000, of which he has already paid all but \$197,000.

Mr. Ornelas then discussed the 10.2 acres owned by the Agency which is located on the west side of Marina Gateway Drive. He said staff will be coming to the City Council hopefully on April 24th seeking authorization to dispose of that property at public auction. Special Assistant to the Community Development Department Greg Salter noted that in June of 2005, the Agency passed a resolution authorizing staff to sell the property under a request for proposals and this is still an option; however staff doesn't know if there is enough time to go through the full request for proposal process. If we don't, then staff will ask for another resolution allowing staff to sell the property by public auction. He stated this will depend on when the Agency has to pay back the general fund for the \$1.2 million loan that was made in order to purchase the property.

Agency Member Carrigan asked if the inter fund loan could be extended so that we could hold onto the property until other projects get going and the property value increases. Mr. Salter stated that Acting Chief Financial Officer Joyce Farley has been in touch with the State

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Department of Taxation to see if we can extend the loan; but it was his understanding that those inter fund loans can only go for one year. Mr. Ornelas agreed that it would be more beneficial to hold onto the property; however, staff has to proceed on the assumption that the loan will have to be paid back and that we need to be prepared to sell the land rather quickly.

Mr. Ornelas then gave a brief on the RED Legends project stating, staff is working on a series of items that have to be completed by April 25th per the DDFA with RED. He asked Mr. Salter to provide an overview of those items, saying some of them are our responsibility and some are RED's responsibility. He said in general they are attachments or amendments to the DDFA and both sides are striving to get those things done.

One of the items is an alternative financing plan to that proposed in the development agreement. He said that in the development agreement the Agency would basically do a private placement of the bonds with RED and then at some future date there would be a take out based on the issuance of publicly traded bonds. That approach had disadvantages for both Sparks and RED and both sides are interested in an alternative approach and staff is working on this in conjunction with our financial advisor and Lehman Brothers, which is the underwriter that we have retained. He said that if we can develop this alternative and it is acceptable to all the parties, then it will be brought back as an amendment to the DDFA.

Mr. Salter stated the biggest thing we have going on right now is getting set up to make the preponderance finding that we need to make in order to get the STAR bond district going. After that is done, RED and the City need to go down to the State Tourism Commission and the Governor's Office to get their approval. Then the project will be brought back to the Council for the establishment of the Tourism Improvement District and hopefully the bond ordinance to issue bonds to get the project going.

He said there are a number of loose ends in the Development Agreement that need to be tied up by next week. He said that when they presented the agreement there were a number of exhibits that had not yet been completed. For example: all the property sale documents on Don Mello had not been worked out at that time; we need to do some work on the Special Assessment District (we have received the improvements list and are working on that now); we also need to meet with the County and get started on the agreement to get the baseball project going.

Agency Member Mayer said the County has been collecting the car rental tax all this time and if the baseball doesn't happen, where does the money go? Mr. Ornelas said the money goes to the County, but the car rental fee is earmarked specifically for a baseball stadium that is suitable for AA or AAA baseball. He said as he understands it, there will be a lot of proposals as to what to do with that fee if we get to the 2007 legislative session and it hasn't been earmarked for a specific project. The County would need to go back to the legislature to change where it can be spent.

Agency Member Mayer said there are rumors about the money and what is happening to it and he felt we needed to get some type of accounting as to what they are doing with the money. Mr. Salter noted that a lot of the money was spent on designing the initial baseball stadium that was going to go on the property in Sparks. Agency Member Mayer asked if the bills had been paid for the design. Mr. Salter said they were being paid the last time we checked, but he didn't know if it had all been paid. Agency Members asked for an accounting of the funds. Mr. Salter said

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we would be getting one anyway in connection with the issuing of the bonds. Agency Member Carrigan said he was curious to know how much comes in each year. Mr. Ornelas stated the DDFA with RED obligates the Agency, if requested by RED, to ask the County to pass through that car rental fee to the City for the City to issue the bonds, so obviously we will have to discuss this with the County and see what terms they will require for this to occur.

Agency Member Salerno asked for the status of the preponderance finding. Mr. Salter said there are a lot of discussions going on with the City Attorney's Office, bond counsel and staff to put together the proposed findings. He said we received an updated market report from Mr. McClure late last week and staff is reviewing that as well as additional material and staff is hoping to get the preponderance hearing before the City Council, hopefully, in May. Mr. Ornelas stated the notice of the hearing has to be published at least 15 days in advance of the hearing, so as soon as we have information that legal counsel is comfortable advising staff to proceed, then we will notice that hearing. Attorney Adams said the hearing will more than likely be late May.

Mr. Ornelas then reported that the Paradise Plaza on Oddie Boulevard (the one with K-Mart in it) was acquired late last year by a retail development entity out of Southern California. Staff has had some initial conversations with them and they are interested in potentially pursuing some sort of development agreement with the Agency to give the center a substantial face lift and constructing some new buildings on the parameter and in general upgrade the center. This would be something staff would encourage the Agency to consider because it could be a real boost for trying to revitalize that retail corridor. He said as soon as staff had something more specific they would share it with the Agency.

Agency Member Mayer asked if they would have to go before the Design Review Committee. Mr. Ornelas responded that we do not have a Design Review Committee (DRC) for the Oddie corridor of Redevelopment Area II. He then asked if we could utilize the downtown committee to come up with a design theme for that area. Mr. Ornelas noted that the DRC for Area I was comprised, for the most part, of property owners and other interested parties from the downtown area and staff is currently re-evaluating the role of that committee, given the proposed development project. He said he did not know if the DRC would continue to play its current role downtown and it is really focused on the downtown area. Mr. Ornelas stated that we need to prepare more specific plans for the Oddie Boulevard Corridor, as well as the Conductor Heights area. He said in the Area II redevelopment plan there are lists of potential projects for each district, but it is pretty general and there is not much detail in the plan. He said as we move to start working those areas in, hopefully, in the not to distant future, the basis for establishing design criteria would be through a specific planning effort.

Agency Member Schmitt said he would like to go back to the RED project and clarify that the Council won't be seeing a preponderance hearing before the end of May. Attorney Adams stated that right now, with the information available to us, he did not see how we could make the early May meeting. He said that because of the 15 day notice requirement, staff will not be able to review and approve the information and get it on the agenda until the latter part of May. Agency Member Schmitt asked if this information qualified for a closed-door attorney-client meeting. Mr. Adams said he would be more than happy to speak with any or all of the agency members at any time. Agency Member Schmitt then requested a closed-door attorney-client meeting regarding the preponderance information.

Agency Member Carrigan commented that he would like to know what direction we are going to take when we do start improvements in the other redevelopment areas.

3. Discussion of Redevelopment Area 1 (Victorian Square) - Issues and Opportunities

Mr. Ornelas provided an update on the Trammel Crow (TC) project, stating the Council approved the rezoning on the three parcels that they are planning to build on and the tentative handbook is under preparation. Staff expects it to be approved by the Planning Commission in May, and then ultimately to the City Council in early June.

Regarding the Phase I public improvements: the civil drawings are at about 50%; the landscape design should be catching up here pretty quickly; and we are looking to bid the project in time to have the bid awarded and for construction to start right after Labor Day so as not to disturb the Summer event season.

He then provided handouts and discussed how the different phases of the Victorian Square project are expected to move forward; what the estimated costs are; and, the amount of tax increment we can anticipate being generated by the project.

City Engineer Pete Etchart introduced the new Capital Projects Coordinator, Brian Casein, stating Brian would be helping himself and Armando a great deal on the Victorian Square Project.

Mr. Ornelas noted that the 8-1/2 x 11 sheets were a snapshot of the working spreadsheets that staff is utilizing to put together sources and uses budget for the project as well as trying to allocate the costs between a number of different sources of funding that will cumulatively be used to move forward with this project. He said that on the cost side, he was hoping that this was quite a conservative cost estimate. He then displayed the color coded maps and discussed the various phases as follows:

Phase I: The public improvements include modifications to the Avenue of the Oaks which involve removing the roundabouts on either side of the plaza and making it a through street to provide east/west access; doing the utility modifications and upgrades, including water, sewer, electric, gas and irrigation systems; providing landscaping and streetscape improvements including major modifications and enhancements to the B/C alley on the south side of parcels Band C; extending the landscaping treatments that we have in the Victorian Square area east along C Street between 10th and 11th Streets; enhance the pedestrian connection between the City's original parking structure and Victorian Square to enhance the use of that garage; improve the pedestrian environment in front of the Silver Club (there are very narrow sidewalks and not a particularly attractive stretch of C Street. On the private side in Phase I, there will be Trammel Crow's Phase I residential project (basically townhouse style condos and live/work units). Their estimated development costs are about \$45 million, which would generate various estimates from more conservative to more aggressive, \$8.7 to \$11.1 million from 2007/2008 to 2023 when the Redevelopment Agency District dissolves, having arrived at the end of its statutory life.

Council Member Carrigan asked if we had heard anything else about the Silver Club Hotel conversion. Mr. Ornelas stated that they have spoken to the broker that is handling this, both sides are still interested in seeing that transaction go through and the would-be buyer is still in

contract. He stated they are still dealing with some issues with the cost of converting the building.

Council Member Mayer asked if there was going to be street parking in the yellow areas of the map. Mr. Ornelas stated there will continue to be some parking along the Avenue of the Oaks and along 13th Street. There will not be much in the way of parking in the alleys that surround parcels B and C. Mr. Etchart noted that the Trammel Crow facilities are going to have their own off-street parking, but there is not a lot of off-street parking in Phase I of the public improvements. It was clarified that there would not be parking on Avenue of the Oaks where it bends around the fountain, but there would be parking further down on the east and west sides where there is currently parking. There was further discussion regarding the parking plan for surface streets in Phase I. Mr. Etchart noted that we have a consultant working on the traffic issues and doing a parking study for the downtown. He noted we don't have parking meters in the City, so we asked the consultant to look at time limited parking and other options.

Council said they thought that we had already done a lot of under grounding for utilities. Mr. Etchart responded that a great deal of the infrastructure was put in place years ago, but some of it will have to be changed a bit because of the new locations of some of the pad. However, overall this is a fantastic opportunity for any developer because a lot of the infrastructure is already in place.

Phase II: The second phase has four components, in terms of the way costs have been broken down. The public improvements involve the construction of the north/south streets on either side of the plaza. These streets were recommended to us by our design and retail consultant team as being important to the ultimate success of the retail uses along the plaza and to re-establish a grid in the downtown area. There will be some modifications and upgrades of utilities and additional irrigation lines, etc, along with landscaping and streetscape improvements, including the proposed City Hall fountains, gateway elements, additional signage. He said although it is still optional, for the purposes of cost estimates, the multi-use outdoor pavilion was included in the plans, the idea being to provide a multi-purpose space that could be used for small events, performing arts, etc.

He said City Hall is based on constructing five buildings with the bulk of City Hall at the southwest corner of Victorian Plaza Circle and Victorian Avenue. It would house the most public functions and would go up two to four stories, depending on the City's needs. Other offices would be located on the second and third floors of the four buildings along the plaza, with retail on the first floor of the buildings.

Mr. Ornelas noted that the cost estimates reflect the City owning and building or buying all of its space. He said staff will be evaluating, over the next several weeks, just what the City's options are for delivery of Phase II, in general, and City Hall, specifically. There may be a lot of merit, for example, to leasing at least some portion of the space, but staff will try to lay out a number of options for the Council/Agency to provide direction on.

Mr. Ornelas said there is a relatively small amount budgeted for design of the retail and private office space. He said vertically integrated buildings require that we at least plan for that space as part of our budget. He said the plan calls for a range of 50,000 to 100,000 square feet of retail and private office space on the ground floors of these buildings in Phase II.

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Agency Member Mayer asked what the plan was for the displaced businesses and if we were required to provide space for them to participate in the project. Mr. Ornelas stated that Nevada Redevelopment Law has two primary provisions in this area. One is for property owners who desire participation and we are obligated to consider that. With regard to tenants, in general we follow the Federal Uniform Relocation Act and then there are some additional provisions. Typically if there is a tenant that would be displaced, we would have to find them a comparable location to move to and cover relocation expenses, etc. He cautioned that there are some uses that may be more compatible with the overall intent of the project. He stated our consultants are preparing a retail program so we can try to put together an optimum leasing plan for the retail component of the project. When this is complete, it will be the basis for making the decision as to whether a displaced tenant is a good fit for the project or not.

Agency Member Moss asked if we owned the property for the proposed City Hall building. Mr. Ornelas responded that we own most of the property for the main building (pink), but the other four are owned exclusively by other parties (blue), so we would have to negotiate with the owners to bring that property into the project either as acquisitions or on a participation or development agreement basis.

Mr. Ornelas stated the fourth component of Phase II is property acquisition and the budget assumes acquisition of all the property (which is very unlikely to be the case) and also includes, not only the actual working estimate of the price of the properties, but also consultant services for appraisals and relocation and relocation benefits for tenants.

Phase III: This involves two primary sets of activities: the redevelopment of some or all of the block between 14th and 15th Streets, C Street and Victorian Avenue. In the development plan we were purposely ambiguous as to what the uses on this block might be, in part because it is 3 to 5+ years out and also depending on the property we are able to assemble and what the market dictates at that time. The success or lack of success of any elements developed in the first two phases will also have a bearing on what occurs in the third phase.

The second aspect of Phase III that is important is the additional structured parking on the current surface parking lot in front of the existing parking structure east of the theater and on the court house block. The plan calls for approximately 650 spaces in those two structures and this parking will be needed to accommodate both City Hall uses and the retail and private office uses developed in Phase II. The estimated cost on the parking structures is estimated at \$10.4 million, which is a middle of the range type estimate.

He said another aspect is property acquisition, which has an estimated cost of a little over \$6 million and includes all the estimated consultant and relocation costs. Mr. Ornelas said total Phase III costs on the part of the City/Agency are about \$16.4 million, which would generate \$4.5 to \$9.1 million in property tax increment to the agency, based on 130,000 to 135,000 square feet.

Mr. Ornelas said one of the challenges we have with tax increment right now is that it is very unsettled in terms of the calculations that the County Assessor and the State are providing to us right now. He told the Agency if they have questions about that, Ms. Farley can address those, but given some of the changes that occurred in the 2005 [legislative] session, we have some on-

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going issues with the County. Mr. Ornelas stressed that the tax increments are working estimates at this time and there is about an \$11 million range from low (conservative) to high (aggressive) and based on our experience so far, we are estimating toward the conservative side. He said that the total private investment, based on the amount of square footage laid out in his report would be in the \$81 million to \$111 million range. The costs of the New City Hall and structured parking and property acquisition would be a little under \$75 million.

Agency Member Mayer asked if we were going to have a bond to fund the City Hall and the Community Center, etc. and if so, when will it be coming to the Council for approval. Mr. Ornelas stated that staff will be bringing a bond ordinance to the Council at the April 24th meeting and there will be four projects rolled into the 2006 bonds, which will be backed by "C" tax. The bond will include approximately \$3.5 million for the Phase I public improvements; approximately \$2 million for design of City Hall; money for the West End Community Center; and funds to finish the Golden Eagle Regional Park, if we sell Don Mellow to RED. The total bond issue will be about \$16 million.

4. Adjournment

The meeting was adjourned at 2:52 p.m.

CAB