

STAFF REPORT

Date: August 28, 2024

To: Mayor and City Council

Through: Jackie Bryant, Interim City Manager

Subject: Staff Report (For Possible Action): Approval of an amendment to the Economic Development and Purchase/Sale Agreement to convey City-owned property commonly known as 0 Riverside Drive (Assessor's Parcel Numbers [APNs] 010-590- 01 and 02, 010-591-01 and 02, 010-592-01 to 06, 010-593-01 to 06, 010-594-01 to 06, 010-595-01 to 06, 010-601-01 to 06, 010-602-01 to 04, 010-603-01 to 04, and 010-604-01) adding a standdown provision and a reimbursement mechanism for work completed to date related to a quiet title action, allowing an assignment from BUILT. Investments, LLC, to Riverside Development, LLC, memorializing First Centennial for Escrow and other miscellaneous items.

From: Bryan McArdle, Revitalization Manager

Department: City Manager's Office

Summary:

The City of Reno is in contract with BUILT. Investments, LLC to sell the property at 0 Riverside Drive for an economic development project. However, title insurance companies have refused to provide title insurance unless the City prosecutes a quiet title action in state court to clear the many liens that remain on the title report, even after a certification from Tax Title Services stating that the County properly foreclosed on the property and notified the property owners before transferring to the City. Staff is recommending an amendment to the current Economic Development and Purchase/Sale Agreement addressing this challenge and other clean-up items. The buyer has expended costs for pre-development activities of the site including a reversion to acreage and an approved Specific Plan District (SPD). Due to the unforeseen inability to obtain a clear title, the amendment puts in place a standdown provision recognizing that the buyer shall not incur further time, and expenses related to the due diligence and development of the Property except for costs related to the demolition of the existing structure on site and adding a backflow prevention device to the stormwater outflow pipe. If the City is unable to obtain an order of quiet title from the court within 18 months the City agrees to reimburse the buyer for its expenses for work completed. The amendment allows other miscellaneous clean-ups such as memorializing First Centennial Title for escrow; allowing an assignment from BUILT. Investments, LLC to

Riverside Development, LLC; and addresses certain easements.

Alignment with Strategic Plan:

Economic and Community Development

Previous Council Action:

August 23, 2023 – Council approved a resolution establishing the fair market value of the Property and entering into an economic development agreement and purchase/sale agreement with BUILT. Investments, LLC.

June 7, 2023 – Council directed staff to negotiate an economic development agreement with BUILT. Investments, LLC.

July 20, 2022 – Council provided direction to staff to pay the back taxes to Washoe County to remove the open space deed restriction and direction to staff to proceed with a request for interests for the property.

December 11, 2019 – Council approved disposition of the property by public auction.

September 12, 2018 – Council was presented with a list of City/Redevelopment Agency (RDA) owned properties, including Assessor's Parcel Number (APN) 010-590-01 and 02 (0 Riverside Drive); APN 010-610-17 (265 Keystone Avenue); APN 007-292-14 (322 West Street); APN 007-214-26 (705 N. Virginia Street); APN 010-430-12 (0 Mayberry Drive); and APNs 082-290-70 and 71 (0 West Golden Valley Road/0 Yorkshire Drive), which could be transferred to the Community Housing Land Trust, or offered for sale to the highest bidder, or offered for sale through a Request for Proposal/Qualification (RFP/RFQ) process or any combination thereof. Council approved three parcels to the Community Housing Land Trust of APN 010-430-12, 082-290-70 and 71 for affordable housing and directed staff to sell APN 010-610-17 to the highest bidder at public auction. No direction was given on the other parcels.

August 24, 2016 – Council approved and authorized the staff to expend funds to undertake an appraisal on the property as a possible precursor to selling the property.

Background:

The property was acquired from the delinquent tax roll of the Washoe County Treasurer under Nevada Revised Statutes (NRS) 361.603, which allows for the acquisition by local government of property held in trust, to be used for public purpose as open space, without paying the delinquent taxes. Washoe County quitclaimed the property to the City of Reno on April 1, 2011, as reflected in Document No. 3989067 recorded in the Washoe County Recorder's Office. The quitclaim deed included a restriction to use the property for open space. In 2022, the City requested Washoe

County to remove the deed restriction for open space upon payment of the back taxes in the amount of \$104,086.91. The Washoe County Board of County Commissioners approved the request on September 13, 2022, and the parties recorded a Declaration of Removal of Open Space Deed Restriction on December 14, 2022.

Pursuant to the City's issuance of an RFP regarding the Property, the City voted to enter into an economic development agreement with BUILT. Investments, LLC on August 23, 2023. The City of Reno is now in contract with BUILT. Investments, LLC to sell the property for an economic development agreement, but numerous title insurance companies have stated that they will not insure the title to the property unless the City prosecutes a quiet title action in state court to clear several liens that remain on the title report.

NRS 361.590 provides that a deed to the County Treasurer after the right of redemption period has expired is a conclusive presumption of the regularity of all proceedings from the assessment to the execution of the deed and conveys the property free of all encumbrances except certain easements. Nonetheless, numerous title companies have declined to insure this property unless the City prosecutes a quiet title action to clear the liens that remain on the title report. In an effort to avoid a quiet title action, the City worked with Tax Title Services, a company specializing in tax lien foreclosures, which reviewed the foreclosure process and certified that it was done properly and that the period of redemption had long passed. Despite such certification, the title companies still refuse to insure the property unless a judicial order quieting title to the property is issued.

Discussion:

The buyer has expended costs for pre-development activities of the site including a reversion to acreage and an approved SPD totaling approximately \$275,000. Due to the unforeseen inability to obtain a clear title, the amendment puts in place a standdown provision recognizing that the buyer shall not incur further time and expenses related to the due diligence and development of the Property except for costs related to the demolition of the existing structure on site (estimated at \$60,000) and adding a backflow prevention device to the stormwater outflow pipe (estimated at \$4,000). If the City is unable to obtain an order of quiet title from the court within 18 months, the City agrees to reimburse the buyer for its expenses for work completed prior to the standdown provision. If an amendment includes a reimbursement provision that exceeds \$25,000 it requires Council approval. The amendment allows other miscellaneous clean-ups such as memorializing First Centennial Title for escrow; allowing an assignment from BUILT. Investments, LLC to Riverside Development, LLC; and addresses certain easements.

Financial Implications:

The Buyer to date has incurred approximately \$275,000 in pre-development costs and has the option to proceed with the expenses to demolish the structure on the site as well as install a backflow preventer. If after 18 months the quiet title order is not received the City will reimburse

the Buyer the costs incurred date up to \$339,000 from the Economic Development department budget. At that point, the City would retain ownership of the property, which had an appraised value of \$937,500 as of August 2023.

Legal Implications:

Legal review completed for compliance with City procedures and Nevada law.

Recommendation:

Staff recommends Council approve the proposed amendment to the Economic Development and Purchase/Sale Agreement.

Proposed Motion:

I move to approve the amendment to the Economic Development and Purchase/Sale Agreement.

Attachments:

0 Riverside Revised First Amendment and Standstill Agreement 08202024