

Quilici

Petition and Application for the Formation of the Special Assessment District



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Quilici
Petition and Application for the Formation of a
Special Assessment District
Listing of Exhibits

- EXHIBIT A** - Title Report
- EXHIBIT B** - Construction Cost Estimates
- EXHIBIT C** - Underwriter Commitment Letter
- EXHIBIT D** - Phase I Environmental Assessment

Quilici
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Special Assessment District

Introduction

This petition and application (“Application”) is being submitted to the City of Reno, Nevada (“City”) by Toll North Reno, LLC (“Applicant”) to request the formation of the Special Assessment District (“District”) for the Quilici development (“Quilici” and/or “Development”) pursuant to Nevada Revised Statutes Chapter 271 (the “Act”) for the financing their pro-rata share of regional Truckee Meadows Water Authority (“TMWA”) water improvements (“Water Improvements”) that will enable water service to Quilici, will improve water service for existing properties in the Verdi area, and will enable water service for future developments in the Verdi area. A conceptual map of Quilici is provided on page 6.

The purpose of this Application is to provide the City with specific information related to the Applicant, Quilici, and the District financing plan, and to petition the City to move forward with the proposed District financing as outlined herein.

The Applicant has provided the City with a \$150,000 deposit (“Deposit”) on March 8, 2023, to pay the estimated costs incurred by the City and their consultants related to the formation of the District and the issuance of the Special Assessment Bonds (“Bond(s)”) and has agreed to fund any additional costs that the City may request. To the extent the Bonds are issued the Deposit will be reimbursed to the Applicant via Bond proceeds.

The City is **not** requested to pledge its general fund or taxing power to secure the Bonds issued to finance the eligible Water Improvements.

Applicant Information

1. Applicant General Background

The Applicant owns 100% of the real property contained within the District.

2. Applicant Information

a. Applicant Name and Address:

Toll North Reno, LLC
10345 Professional Circle, Suite 200
Reno, NV 89521

b. Applicant Representatives:

Ms. Julie Wong
Sr. Land Development Manager
jwong1@tollbrothers.com
775-850-2417

c. Company Information

Toll North Reno, LLC
State of Incorporation – Nevada
Date of Incorporation – December 2007
Fiscal Year-End – December 31

3. Three (3) Years of the Applicant's Financial Statements

The Applicant has 20+ years of successful homebuilding experience in Northern Nevada. The Applicant is a related entity and receives equity from its parent company, Toll Brothers, Inc. Toll Brothers, Inc.'s financial information may be found at <https://investors.tollbrothers.com/financials-and-filings/sec-filings>.

Other relevant financial information will be made available to City staff upon request and the Applicant will assist with the preparation of all relevant financial analyses as requested by the underwriter, disclosure counsel, appraiser, and market consultant.

4. Applicant Prior Developments

Toll Brothers, Inc. has been in the homebuilding business since 1967 and has built homes in 24 states, including Northern Nevada for 20+ years. Information related to prior developments is available upon request.

5. References

A list of references of City officials the Applicant and/or related entities have completed similar developments is shown below.

Name	Position	Municipality
Vicki Van Buren	Director of Finance	City of Reno
Chris Pingree	Development Services Director	City of Reno
Angela Fuss	Assistant Development Services Manager	City of Reno

6. Funding to Date

To date, the Applicant has contributed more than \$25.5 million related to Quilici's planning, entitlement, and development.

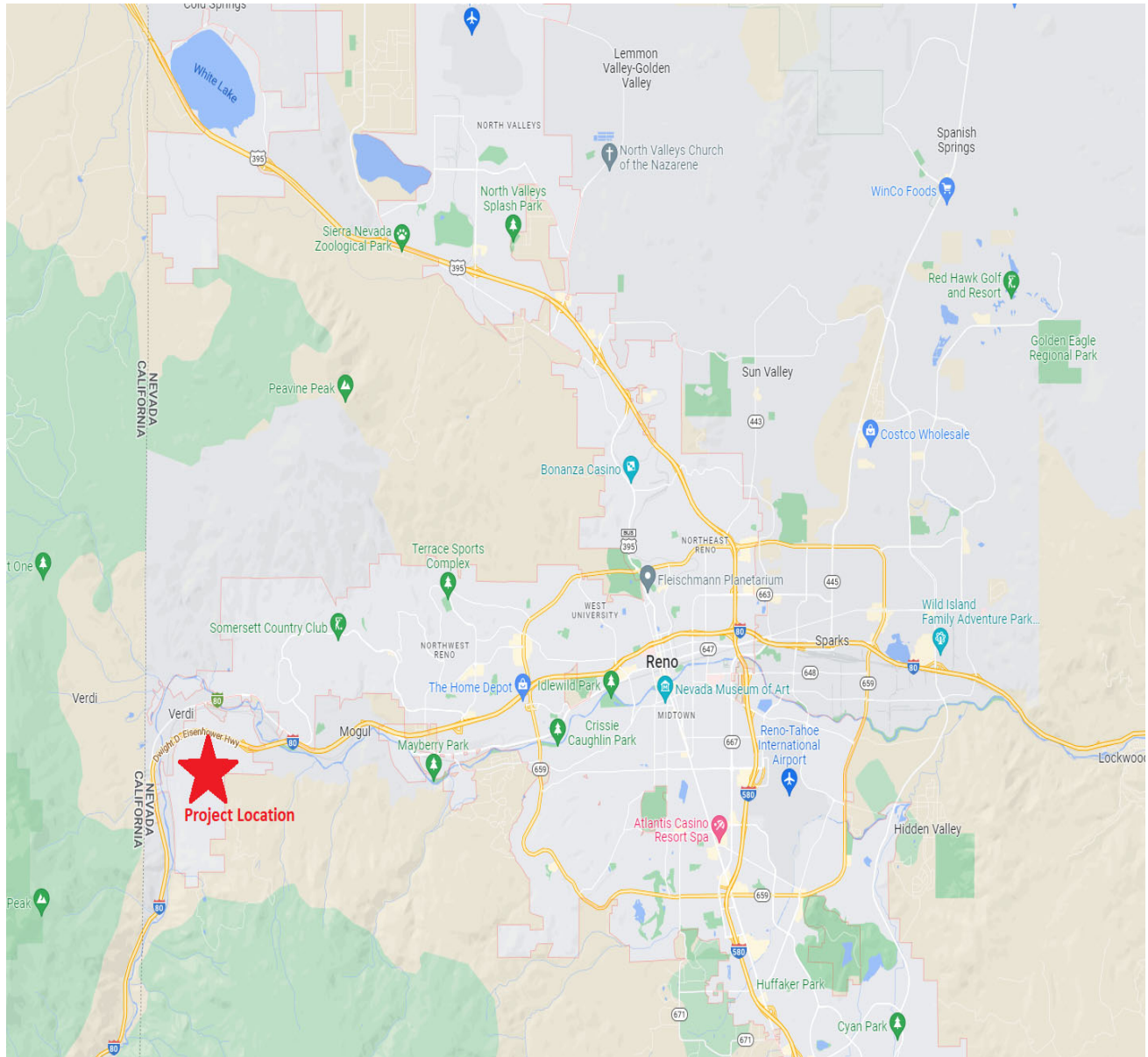
The remaining costs will be financed through a combination of equity, third-party borrowings, and/or internal cash.

Development Information

1. Development Overview

The general location of Quilici is shown below. A proposed District boundary map is illustrated on the following page. The District boundary map also illustrates the locations of eligible Water Improvements proposed to be financed.

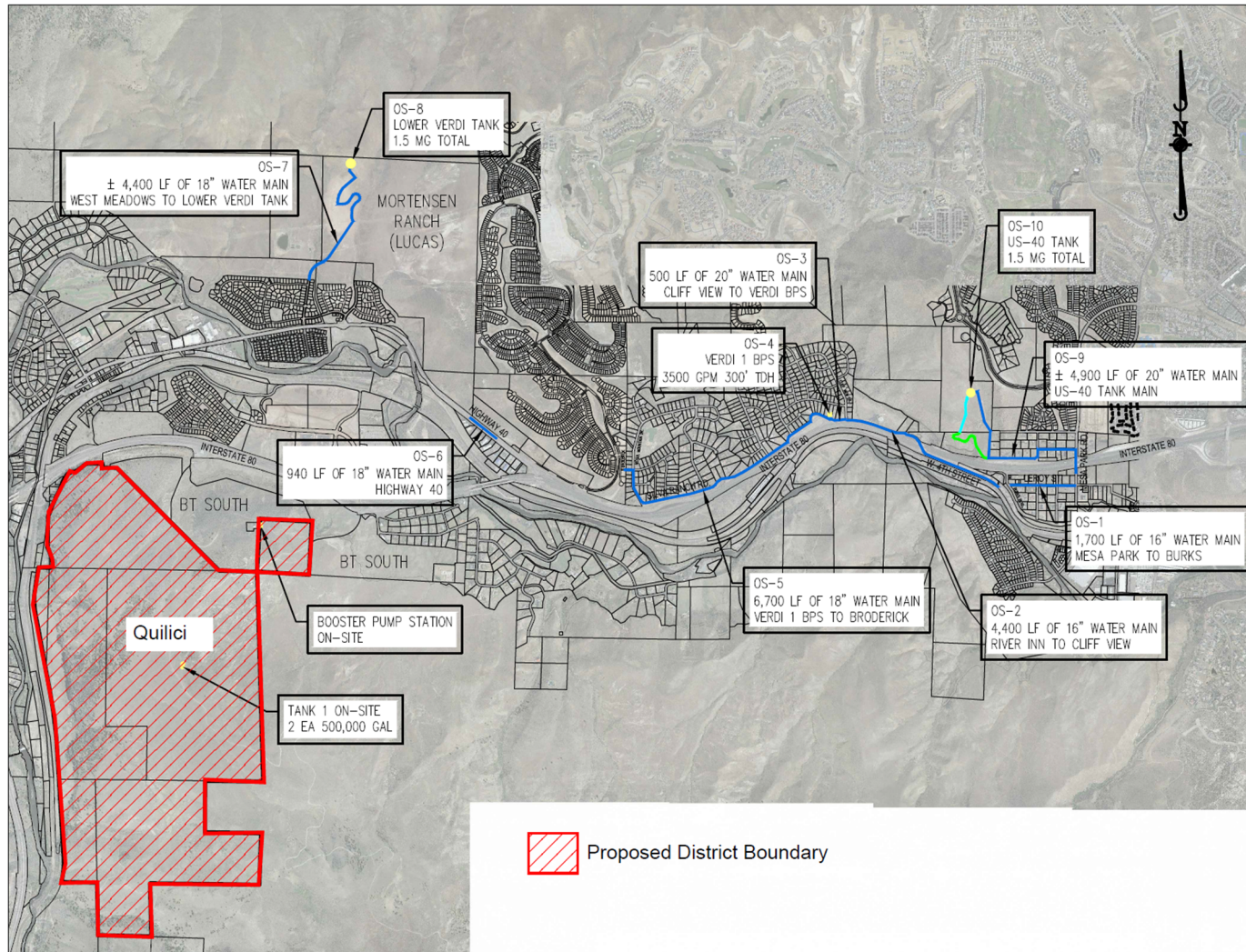
Quilici Location Map



Source: Applicant.

Quilici

Proposed District Boundary and Water Improvement Location Map



Source: RCI Engineering.

2. Land Use Plan

Quilici is divided into two development phases ("Phase(s)") as shown in Table 1 below and illustrated on the maps on the following pages. The Development also includes a school site to be dedicated to the Washoe County School District. The Development will also include one finished park and one park site that will be dedicated to the City.

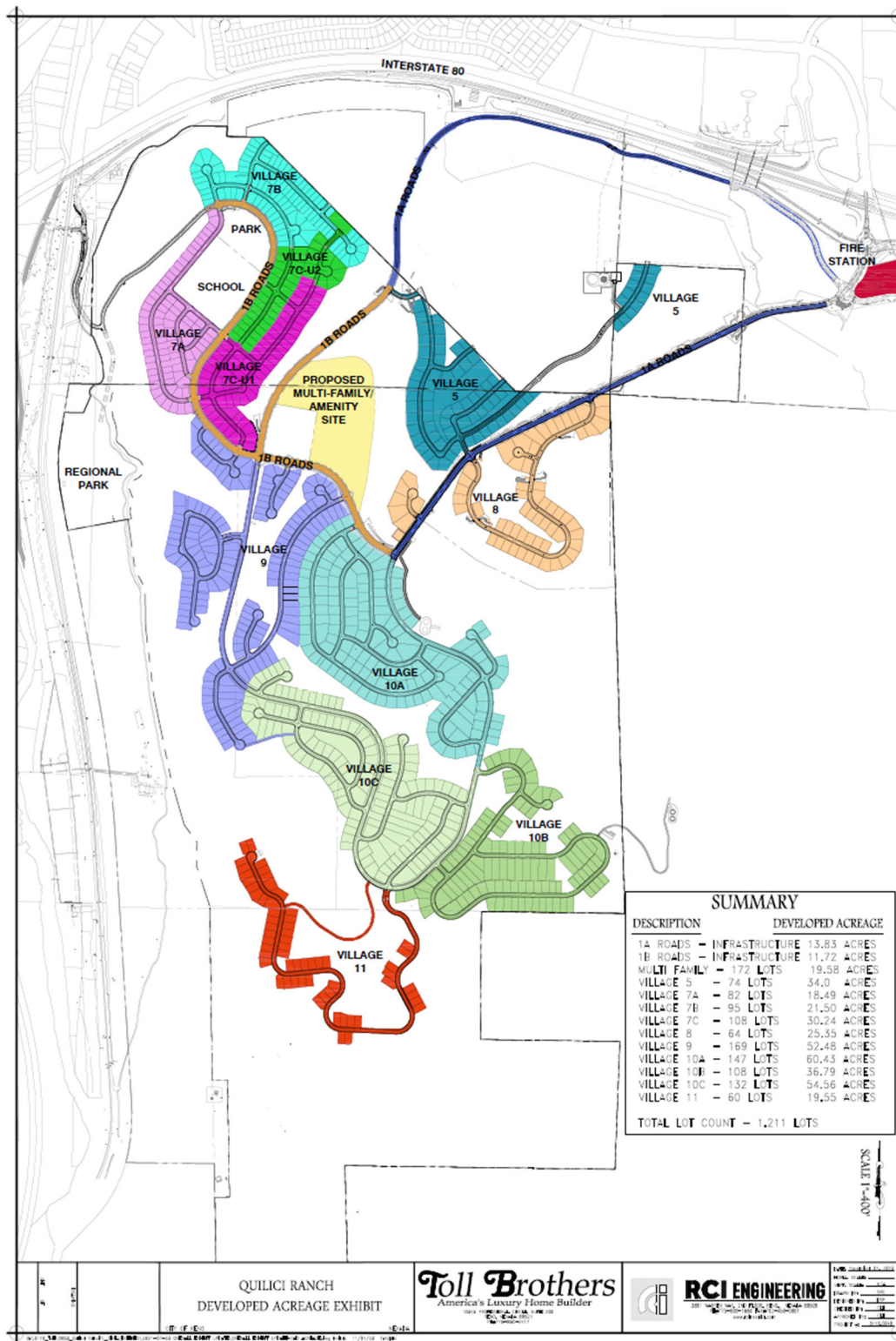
Table 1
Quilici
Land Use Plan

Planned Villages	Net Acres	Estimated Units
<i>Phase 1</i>		
Village 5	34.0	74
Village 7A	18.5	82
Village 7B	21.5	95
Village 7C	30.2	108
Village 8	25.4	64
Village MF-1	19.6	172
<i>Phase 2</i>		
Village 9	52.5	169
Village 10A	60.4	147
Village 10B	36.8	108
Village 10C	54.6	132
Village 11	19.6	60
Total	373.0	1,211

Source: Applicant.

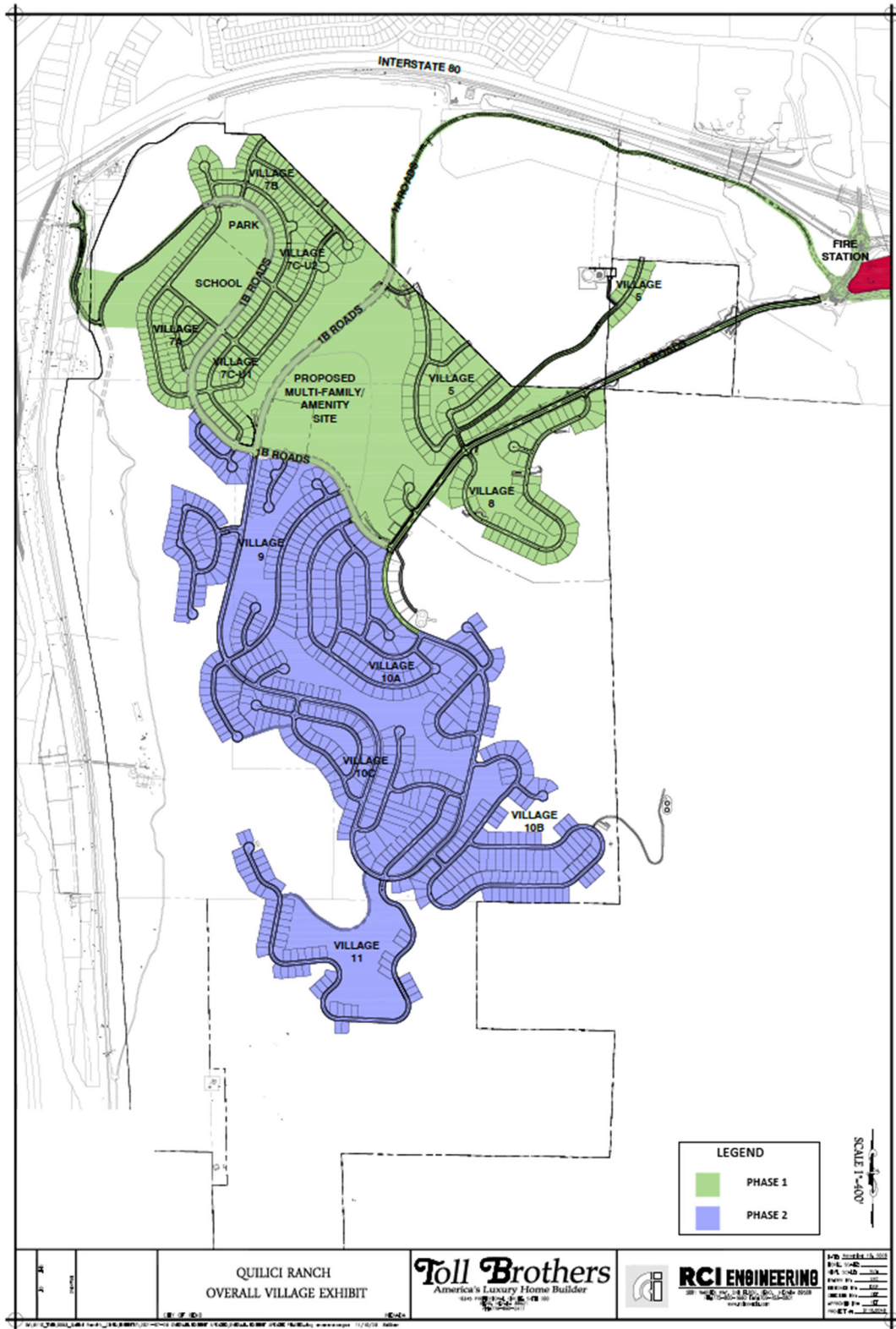
Note: Columns may not properly total due to rounding.

Quilici Conceptual Land Use Plan



Source: RCI Engineering.

Quilici Phasing Plan



Source: RCI Engineering.

Water Improvement construction has started during the fourth quarter of 2023 and is anticipated to be completed by the fourth quarter of 2025. The estimated construction schedule for Water Improvements is included in Table 2 below. The Applicant currently anticipates that the development and sale of the homes will begin in August 2025 and occur over approximately nine years and be completed in late 2032.

Table 2
Quilici
Water Improvement Construction Timing

Project No.	Project Description	Plan Set Status	Estimated Construction Start	Estimated Construction Completion
OS-1	16" Water Line	County/TMWA Approved	3/31/2025	5/30/2025
OS-2	16" Water Line	NDOT/TMWA Approved	12/23/2024	3/28/2025
OS-3	20" Water Line	Approval Est. 11/30/23	5/20/2024	12/20/2024
OS-4	Booster Pump	Approval Est. 10/24/23	3/12/2024	7/21/2025
OS-5	18" Water Line	Approval Est. 11/30/23	3/25/2024	5/17/2024
OS-6	18" Water Line	TMWA/NDOT Approved	1/29/2024	3/22/2024
OS-7	Water Main	Approval Est. 12/15/23	12/28/2023	9/4/2024
OS-8	Lower Verdi Dual Tanks	Approval Est. 1/31/24	9/5/2024	11/5/2025
OS-9	20" Water Line	Approval Est. 12/15/23	12/26/2023	7/22/2024
OS-10	Water Tanks	Approval Est. 1/31/24	7/23/2024	9/22/2025
Tank 1	Village 10A Tank	TMWA Approved	Started	12/27/2024
Pump 1	Village 5B Pump Station	TMWA Approved	Started	2/10/2025

Source: Applicant.

Table 3 below shows the anticipated timing of construction of the residential units within the Development.

Table 3
Quilici
Home Construction Timing

Village	Acres	Units	Estimated Construction Start	Estimated Completion
Village 8	25.35	64	August 2025	July 2028
Village 7C	30.24	108	August 2025	October 2029
Village 5	34.00	74	January 2027	January 2030
Village 7A	18.49	82	January 2027	April 2030
Village 7B	21.50	95	January 2027	April 2030
Village MF-1	19.58	172	January 2027	July 2031
Village 9	52.48	169	January 2027	July 2032
Village 10A	60.43	147	May 2029	April 2034
Village 10B	36.79	108	May 2029	July 2033
Village 10C	54.56	132	May 2029	January 2034
Village 11	19.55	60	May 2029	April 2032

Source: Applicant.

3. **Ownership**

The assessor parcel numbers (“APN(s)”) to be included within the boundaries of the District along with their respective ownership entity are included in Table 4 below. A title report has been included as **Exhibit A**.

Table 4
Quilici
Assessor Parcel Numbers / Ownership

APN (1)	Ownership	Gross Acreage
038-030-10	Toll North Reno, LLC	167.7
038-120-04	Toll North Reno, LLC	40.0
038-190-37	Toll North Reno, LLC	440.0
038-190-48	Toll North Reno, LLC	242.9
038-200-16	Toll North Reno, LLC	135.7
Total		1,026.3

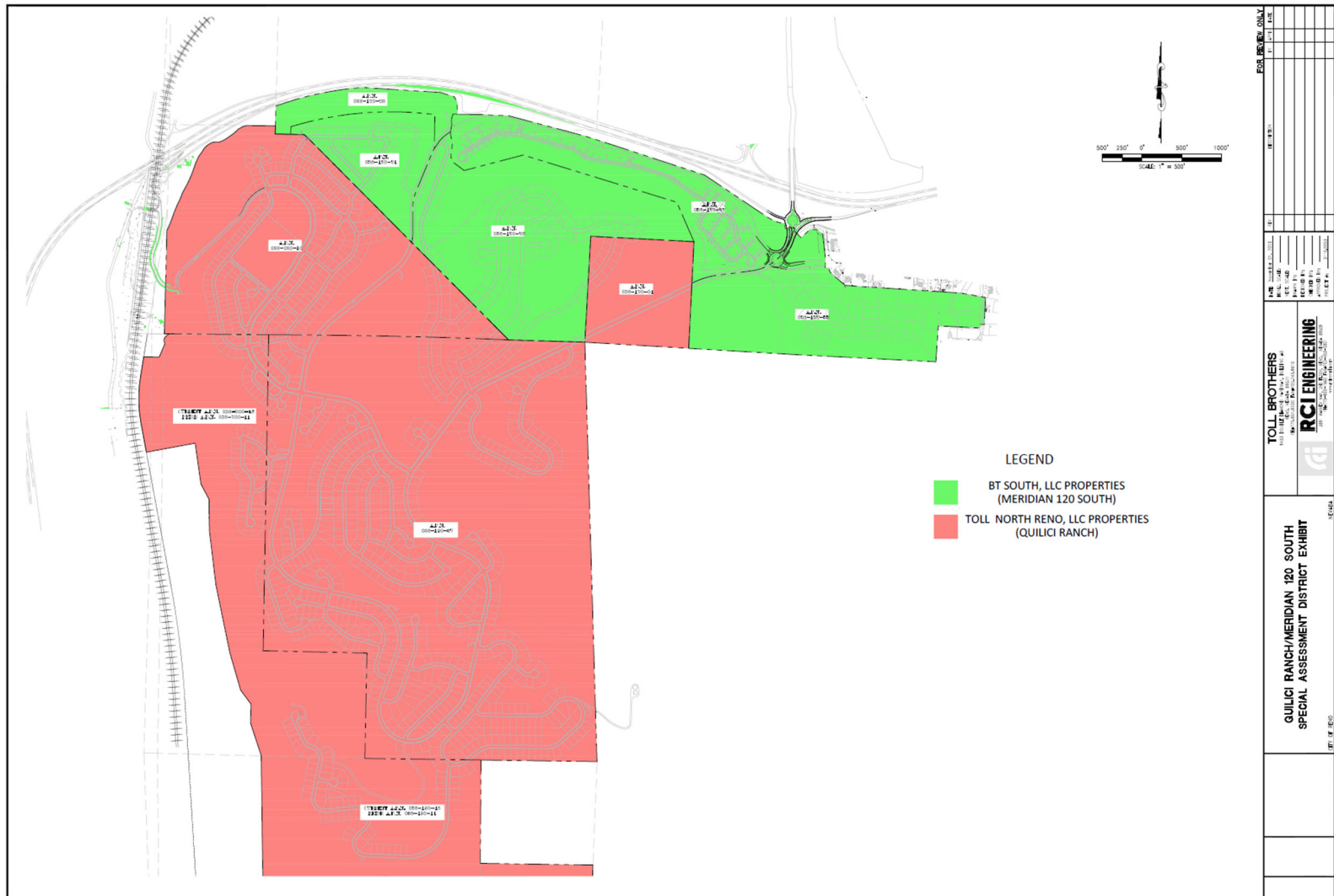
Footnotes:

(1) APN 038-200-10 was 038-200-11 and APN 038-190-48 was APN 038-190-14 on the title report.

The locations of these APNs are illustrated in the map on the following page.

Quilici

Parcel Number Map



Source: RCI Engineering

Financing Plan

1. Water Improvements to be financed

The Applicant proposes to finance a portion of Quilici's pro-rata share of Water Improvement costs. The cost estimates in Table 5 on the next page are in terms of 2020 dollars and have been escalated to 2023 estimates by the Engineering News-Record Construction Cost Index ("CCI") from the date the estimates were initially completed. The Water Improvements are currently being bid out by the Applicant.

Table 5
Quilici
Estimated Water Improvement Costs

Project No.	Project Description	Estimated Hard Costs	Soft Costs (15%)	CCI Cost Increase (1)	Prevailing Wage Cost Increase (2)	Total Estimated Eligible Costs
OS-1	16" Water Line	\$ 875,670	\$ 131,351	\$ 161,081	\$ 175,215	\$ 1,343,317
OS-2	16" Water Line	\$ 2,266,440	\$ 339,966	\$ 416,915	\$ 453,498	\$ 3,476,819
OS-3	20" Water Line	\$ 330,270	\$ 49,541	\$ 60,754	\$ 66,085	\$ 506,649
OS-4	Booster Pump	\$ 2,777,500	\$ 416,625	\$ 510,925	\$ 555,758	\$ 4,260,808
OS-5	18" Water Line	\$ 3,884,258	\$ 582,639	\$ 714,515	\$ 777,212	\$ 5,958,624
OS-6	18" Water Line	\$ 544,956	\$ 81,743	\$ 100,245	\$ 109,042	\$ 835,986
OS-7	Water Main	\$ 3,795,176	\$ 569,276	\$ 698,128	\$ 759,387	\$ 5,821,968
OS-8	Lower Verdi Dual Tanks	\$ 1,919,000	\$ 287,850	\$ 353,003	\$ 383,978	\$ 2,943,831
OS-9	20" Water Line	\$ 2,955,319	\$ 443,298	\$ 543,635	\$ 591,338	\$ 4,533,589
OS-10	Water Tanks	\$ 2,424,000	\$ 363,600	\$ 445,899	\$ 485,025	\$ 3,718,523
Tank 1	Onsite Tank 2	\$ 2,826,600	\$ 423,990	\$ 519,957	\$ 565,582	\$ 4,336,130
Pump 1	Onsite Booster Pump	\$ 2,275,000	\$ 341,250	\$ 418,490	\$ 455,211	\$ 3,489,951
	TOTAL	\$ 26,874,188	\$ 4,031,128	\$ 4,943,548	\$ 5,377,330	\$ 41,226,194

Source: Applicant.

Note: Columns may not properly total due to rounding.

Footnotes:

- (1) ENR CCI increase from December 2020 to September 2023 (15.9%).
(2) Estimated cost increase from the projects including prevailing wage (15%)

The Water Improvements shown in Table 5 will be allocated between Quilici, TMWA, and the BT South and Mortensen Ranch developments based on the Retail Water Service Area Annexation Agreement between TMWA and the Applicant dated December 29, 2021 (the "TMWA Annexation Agreement"). The Water Improvements are oversized so TMWA will be able to provide adequate water service to projects other than the Development. The Water Improvements will be financed and constructed by the Applicant and any cost overruns from the construction of the Water Improvements will be the responsibility of the Applicant.

The proposed SAD will cover the "Quilici Share" as shown below in Table 6. After completion of the Water Improvements, the Applicant will seek reimbursement from TMWA. BT South and Mortensen Ranch will pay their pro-rata share to TWMA and the funds will be forwarded to the

Applicant for their cost allocation pursuant to the TMWA Annexation Agreement, and as shown below in Table 6.

Table 6
Quilici
Water Improvement Cost Allocation

Project No.	TMWA Share (1)	Quilici Share (2)	BT South Share (2)	Mortenson Ranch Share (2)	Total
OS-1	\$ -	\$ 887,203	\$ 136,493	\$ 319,621	\$ 1,343,317
OS-2	\$ -	\$ 2,296,290	\$ 353,275	\$ 827,253	\$ 3,476,819
OS-3	\$ -	\$ 334,620	\$ 51,480	\$ 120,549	\$ 506,649
OS-4	\$ -	\$ 2,814,081	\$ 432,936	\$ 1,013,791	\$ 4,260,808
OS-5	\$ -	\$ 3,935,416	\$ 605,449	\$ 1,417,759	\$ 5,958,624
OS-6	\$ -	\$ 552,133	\$ 84,944	\$ 198,909	\$ 835,986
OS-7	\$ -	\$ 3,845,161	\$ 591,563	\$ 1,385,244	\$ 5,821,968
OS-8	\$ -	\$ 1,944,274	\$ 299,119	\$ 700,437	\$ 2,943,831
OS-9	\$ 3,022,393	\$ 998,081	\$ 153,551	\$ 359,565	\$ 4,533,589
OS-10	\$ 2,479,016	\$ 818,642	\$ 125,945	\$ 294,921	\$ 3,718,523
Tank 1	\$ -	\$ 3,757,979	\$ 578,151	\$ -	\$ 4,336,130
Pump 1	\$ -	\$ 3,024,624	\$ 465,327	\$ -	\$ 3,489,951
	\$ 5,501,408	\$ 25,208,505	\$ 3,878,232	\$ 6,638,049	\$ 41,226,194

Source: TMWA Annexation Agreement.

Note: Columns may not properly total due to rounding.

Footnotes:

(1) TMWA Annexation Agreement section 2.5.2 - TMWA to pay 2/3 of the actual construction costs for the Feeder Main (OS-9) and US 40 Tanks (OS-10).

(2) Water cost allocation based on gallons per minute assumptions in TMWA Annexation Agreement Exhibit B-1.

Detailed Water Improvement cost estimates and maps illustrating the location of the Water Improvements may be found in **Exhibit B**.

a. Public Ownership Requirement

Only Water Improvements are proposed to be financed by the District. The Water Improvements will be dedicated and acquired by TMWA or other applicable agencies for ongoing operations and maintenance.

b. Benefit

The proposed Water Improvements will provide special benefit to the property contained within the District in an amount equal to, or above, the amount of the assessment lien as determined by the District's assessment engineer. The proposed Water Improvements will benefit future developments outside of the boundaries of Quilici as outlined above.

c.Subdivision Improvements

No subdivision level Water Improvements are proposed to be financed by the District.

d.Water, Sewer, and Other Utilities

"Will serve" letters or their equivalent will be provided when the final plat map is recorded. At present, the City, TMWA, Southwest Gas, and NV Energy are anticipated to provide services to Quilici. As may be required by City representatives, the actual "will serve" letters will be obtained from the local service providers once the final maps have been approved by the City. However, at this time, the Applicant has no reason to believe that services and/or utilities will not be available upon the Applicant's request.

e.Other Permits

There are no additional permits and/or requirements above and beyond standard inspection and building permits that the Applicant is aware of at this time.

2. Acquisition District

The Applicant will fund the construction of the eligible Water Improvements with TMWA acquiring completed Water Improvements after final inspection and acceptance and an audit by the City or their consultant of the reimbursement requests. Completed Water Improvements may be comprised of multiple subprojects to accelerate reimbursement of eligible Water Improvement costs. It is expected that the City will make payments to the Applicant for individual subprojects as they are completed with cost savings on eligible Water Improvements being made available for the reimbursement of cost overruns (if any) on other eligible Water Improvements. The Applicant shall not be required to post a completion bond or similar financial assurances for Water Improvements to be funded by Bond proceeds. To the extent that the estimated costs of the Water Improvements exceed the estimated amount of the Bond proceeds, the Applicant shall only be required to post performance bonds for the difference between estimated Bond proceeds and estimated costs of the Water Improvements. Any cost overruns for the Water Improvements will be the responsibility of the Applicant.

The construction and/or acquisition of completed Water Improvements will be subject to the District Financing Agreement to be negotiated and mutually agreed to by the Applicant and the City.

3. Bond Sizing

Estimate gross Bond amounts and net construction proceeds are illustrated in Table 7 on the following page.

Table 7
Quilici
Estimated Bond Amount

Description	Total
<u>Assumptions</u>	
Net Developable Acres (1)	373.0
Estimated Units (1)	1,211
Density	3.25
Assessment Per Acre (1)	\$ 70,000
Bond Term (2)	30
Interest Rate (2)	6.00%
Capitalized Interest Period - Months (2)	12
<u>Bond Sizing</u>	
Bond Amount	\$ 26,110,000
Less: Capitalized Interest (3)	\$ (1,566,600)
Less: Reserve Fund (4)	\$ (1,921,164)
Less: Underwriters Discount (2%)	\$ (522,200)
Less: Cost of Issuance	\$ (300,000)
Net Construction Proceeds	\$ 21,800,036
Estimated District Eligible Construction Costs	\$ 25,208,505
Excess District Costs (5)	\$ 3,408,468
Average Assessment Per Unit (6)	\$ 21,561
Average Annual Assessment Payment/Unit (6)	\$ 1,756

Footnotes:

- (1) Information provided by Developer.
- (2) Preliminary assumption.
- (3) Capitalized interest period of 12 months beginning at date of Bond issue.
- (4) Estimate.
- (5) Excess costs to be funded by Toll.
- (6) Assumes that the rate on the installment payments is 1% higher than the rate on the Bonds.

4. Appraisal Valuation

An appraisal firm for the Bond issuance will be selected by the City. It is expected that the appraisal will demonstrate that the value of the property 'as-is' will be at least one and one-half (1.5) times the amount of the proposed principal amount of the Bonds and that the value of each parcel to be assessed after proposed Water Improvements are installed is at

least three and one-half (3.5) times the amount of the proposed assessment against that parcel.

5. Primary Bond Security

The primary security related to the Bonds will be an assessment lien placed upon the property contained within the boundaries of the District. It is expected that an overall value-to-lien ratio of at least three-to-one (3-to-1) will be achieved in relation to the proposed Bond issue.

6. Reserve Fund

A reserve fund to equal the least of the following amounts: ten percent (10%) of the proceeds of the Bonds, or one hundred percent (100%) of the maximum annual debt service, or one hundred twenty-five percent (125%) of the average annual debt service will be funded at the time the Bonds are issued.

7. Additional Security

In the event that the required overall value-to-lien ratio cannot be achieved, the Applicant would like to preserve the following options: (i) pledging other MAI appraised real estate collateral sufficient to cover the portion of the Bonds not supported by the overall value-to-lien ratio requirement; (ii) posting a letter of credit for the portion of the Bonds not supported by the overall value-to-lien requirement; or (iii) holding back construction proceeds in an amount not supported by 3-to-1 value-to-lien ratio; until the Applicant can demonstrate to the District that the required value-to-lien ratio has been obtained at which point the held back construction proceeds will be released.

8. Payment of Assessments; Capitalized Interest

The Bonds and related assessments will be payable over a period not to exceed thirty (30) years in substantially equal semi-annual installments commencing within one year of the levy of the assessment liens. While the Applicant intends to capitalize one (1) year of interest, up to two (2) years of interest may be capitalized at the discretion of the Applicant.

9. Floating Rate Bonds

The Applicant is not proposing the use of floating-rate bonds.

10. No Pledge of Surplus and Deficiency Fund, General Fund, or Taxing Power

The City is **not** being requested to pledge its general fund or taxing power to secure the Bonds issued to finance the Water Improvements discussed herein.

11. Bond Underwriting Commitment

An underwriting commitment letter has been received from Stifel Nicolaus & Company, Incorporated is included as **Exhibit C**.

12. Consultants

The City will select the assessment engineer and project management engineer after receiving comments on its proposed selection from the Applicant. The City also will select its underwriter, financial consultant, bond counsel, and bond trustee. The payment of all fees and expenses of these consultants will be the responsibility of the Applicant, however, to the extent permitted by the Act, the Applicant requests that they be reimbursed for the Applicant's and the City's costs associated with the formation of the District and the issuance of Bonds through available Bond proceeds. Applicant's costs are anticipated to include legal, financial, engineering, survey, and title.

13. City Expenses

Unless otherwise agreed, the Applicant will pay from its funds, all of the costs of the Bond issue before the time Bonds are issued, including the costs of consulting engineers, assessment engineers, project management engineers, underwriters, the City's financial consultant, the City's bond counsel, direct City staff time (as determined by an hourly rate or by formula), the cost of preparing the appraisals, absorption study, environmental review, and other related costs. These items will be eligible for reimbursement to the Applicant from Bond proceeds should the Bonds be issued.

14. On-going Operations and Maintenance

Once accepted, TMWA and/or other applicable agencies will provide for the ongoing operations and maintenance of the Water Improvements. The Applicant will provide TMWA with a one (1) year warranty against defective workmanship and materials from the date of acceptance thereof.

15. Cost Overruns

The Applicant agrees to fund all the Water Improvement costs that exceed the Bond proceeds amounts available for such purposes. To the extent that cost savings exist in relation to Water Improvements, the Applicant will use such cost savings to fund cost overruns on other eligible Water Improvements (if any) or to fund other alternative District eligible Water Improvements.

16. Environmental Matters

A completed Phase I Environmental Assessment Report ("Phase I") (e.g., hazardous waste assessments) on the property to be assessed, the property on which Water Improvements are to be located, and on any property to be dedicated to the City is attached hereto as **Exhibit D**. The Phase I report neither suggests any further environmental investigation nor does it indicate that any significant environmental remedial action is required.

Council Approval

The Applicant hereby requests that the City staff review the Application and place an item on the City Council's Agenda as the first available City Council meeting to authorize the negotiations between the City and the Applicant concerning the proposed financing.

Applied and petitioned for by Toll North Reno, LLC:

Toll North Reno, LLC

By: 
Name: Julie Wong
Title: Senior Land Development Manager

Date: 11/21/23

By: 
Name: Kyle Collinsworth
Title: Vice President of Land Acquisition

Date: 11/21/23