

March 11, 2025

VIA EMAIL

To the Board Members of the
City of Reno Redevelopment Agency
1 E. First St., Reno, NV 89505
c/o Ashley D. Turney, Assistant City Manager
turneya@reno.gov

Re: Redevelopment Project Area No. 2

Dear Board Members:

We have been asked to advise the City of Reno Redevelopment Agency (“Agency”) whether the Agency may lawfully enter into a participation agreement with the developer of a proposed indoor arena project (the “Arena Project”) at the Grand Sierra Resort pursuant to which the Agency would provide tax increment financing (“TIF”) for a portion of the Arena Project development cost. Specifically, the purpose of this letter is to address the legal assertions set forth in the letter dated February 19, 2025 to City Council from Joshua J. Hicks of the law firm of McDonald Carano on behalf of Caesars Entertainment, Peppermill Resort Spa Casino, Golden Road Motor Inn, Inc., BCH Gaming Reno, LLC, Nugget Sparks LLC and the Bonanza Casino LLC (the “Coalition”) expressing the Coalition’s opposition to the use of TIF for the Arena Project (the “Coalition Letter”), a copy of which is enclosed herewith.

I. Background

The Grand Sierra Resort is located within Redevelopment Project Area No. 2 (“Redevelopment Area 2”), which is described in the Redevelopment Plan for Redevelopment Area 2 adopted by the City Council of the City of Reno pursuant to Ordinance No. 5726 on August 24, 2005 (the “Redevelopment Plan”).¹ Power Sports Development LLC (“Developer”) submitted an application to the Agency requesting that the Agency provide TIF to support the Arena Project.²

¹ The Redevelopment Plan and Ordinance No. 5726 are available in the backup materials to the August 24, 2005 Redevelopment Agency Board Agenda available at the following URL:
<https://reno.primegov.com/Portal/Meeting?meetingTemplateId=6387>

² The Developer’s application is available in the backup materials to the October 23, 2024 Redevelopment Agency Board Agenda available at the following URL:
<https://reno.primegov.com/Portal/Meeting?meetingTemplateId=7085> Developer’s application states that Developer is wholly owned by Alex Meruelo, Power Sports Development LLC will lease the Arena Project land from Grand Sierra Resort, entities within the Meruelo family of companies are separately owned by Alex Meruelo, and Meruelo

Pursuant to action taken by the Agency at the October 23, 2024 Redevelopment Agency Board meeting, the Agency obtained a market analysis from Hunden Partners (the “Market Analysis Report”) to project the financial and economic impact of the Arena Project and provide recommendations.³ Item No. B.3 on the March 12, 2025 Redevelopment Agency meeting agenda is the acceptance of the Market Analysis Report by the Agency Board and potential direction to staff to proceed with financial gap analysis and deal negotiations for the Arena Project.⁴ The Coalition Letter was sent to the City Council regarding the Developer’s application and sets forth the Coalition’s position that the Area Project does not appear to be a lawful use of TIF.

II. Coalition Letter Assertion 1: The Project falls outside the purpose of TIF, as established by the underlying policies and goals stated in the Redevelopment Plan regarding the elimination of blight in Redevelopment Area 2.

The Coalition Letter notes that, when establishing Redevelopment Area 2, the Agency’s stated goals included ensuring the mitigation of blight and the prevention of the spread of blight and deterioration. The Coalition Letter asserts that recent economic development in the Grand Sierra District, including renovations to the Grand Sierra Resort Tower, have eliminated blight and the need for redevelopment in the Grand Sierra District within Redevelopment Area 2, and thus the Arena Project may not qualify for TIF.

“Blight” is a term used to describe physical, social or economic conditions that affect the health, safety or welfare of a community and includes economic blight, which may affect the community in the form of business loss and downward economic trends.⁵ For an area to be included in a redevelopment plan, there must be a finding that the general area suffers from some form of blight and that redevelopment is necessary to eliminate that blight.⁶ If a challenge to the validity of a redevelopment plan is not brought within 90 days of the adoption of the plan, the decision of the legislative body concerning a redevelopment area is final and conclusive, and it is thereafter conclusively presumed that the redevelopment area is a blighted area.⁷ Further, an area generally cannot be removed from any redevelopment area during the term of the redevelopment plan.⁸ In *City of Las Vegas Downtown Redevelopment Agency v. Pappas*⁹, the Nevada Supreme Court

Group LLC exists as a management company to oversee the operations of all related companies. As used herein, “Developer” may refer to any of the affiliated companies, as applicable.

³ See Staff Report and Market Analysis Report, Item B.3, on the March 12, 2025 Redevelopment Agency Board Agenda available at the following URL: <https://reno.primegov.com/Portal/Meeting?meetingTemplateId=7085>

⁴ *Id.*

⁵ *Las Vegas Downtown Redev. Agency v. Pappas*, 119 Nev. 429, 445-46 (Nev. 2003).

⁶ *Id.* at 446.

⁷ NRS 279.589.

⁸ See NRS 279.608 (providing that a redevelopment plan amendment may not include the removal of an area from any redevelopment area, except for certain residential dwellings in cities with populations below 25,000).

⁹ 119 Nev. 429 (2003).

concluded that there was substantial evidence to support the redevelopment agency's finding that the construction of the Fremont Street Experience, including the taking of private property for the construction of a parking garage, furthered the public purpose of eliminating blight in downtown Las Vegas, Nevada,¹⁰ even if the property taken was not blighted.¹¹ In reaching its conclusion, the Court noted that "redevelopment encompasses an entire area, not just individually blighted sections".¹²

Response to Coalition Letter Assertion 1: When evaluating whether the Arena Project furthers the goals of the Redevelopment Agency as set forth in the Redevelopment Plan, it is not necessary for the Redevelopment Agency to determine that the site of the Arena Project is blighted; the Redevelopment Agency may take into account the project's effect on eliminating blight within other areas of Redevelopment Area 2.

III. Coalition Letter Assertion 2: The Arena Project does not meet the legal requirements for use of TIF under NRS Chapter 279 due to changes in the area.

The Coalition Letter notes that the purpose of NRS Chapter 279, which provides the statutory authority for the establishment of redevelopment areas in Nevada, is providing for the redevelopment of blighted areas and suggests that the Grand Sierra District may not qualify for TIF because of significant new development in the area since the Redevelopment Plan was last updated.

NRS 279.519 expressly states that a redevelopment area "may include, in addition to blighted areas, lands, buildings or improvements which are not detrimental to the public health, safety or welfare, but whose inclusion is found necessary for the effective redevelopment of the area of which they are a part".¹³ The City is not required to amend a redevelopment plan to address successful completion of development projects within the redevelopment area or to specifically address new redevelopment projects proposed within the plan area.¹⁴ The City may amend the Redevelopment Plan in accordance with the Community Redevelopment Law if it determines that

¹⁰ *Pappas* at 445-46.

¹¹ *See id.* at 448 ("the fact that the Pappases' property itself was not blighted does not prohibit its taking through eminent domain proceedings").

¹² *Id.* at 448 (citing *Berman v. Parker*, 348 U.S. 26 (1954)).

¹³ NRS 279.519.

¹⁴ *See Las Vegas Downtown Redev. Agency v. Crockett*, 117 Nev. 816, 827-28 (Nev. 2001) ("A redevelopment agency should not be saddled with the burden of amending a redevelopment plan to include every new redevelopment project or change to a redevelopment project, without regard to the nature of the project or the change.")

it would be necessary or desirable to amend the plan, and the City must amend the Redevelopment Plan if the City desires to take action that would constitute a material deviation from the plan.¹⁵

Response to Coalition Letter Assertion 2: Nevada’s Community Redevelopment Law permits the inclusion of non-blighted areas in a redevelopment area. In evaluating the Arena Project, the Redevelopment Agency should consider whether the Arena Project conforms to the Redevelopment Plan.

IV. Coalition Letter Assertion 3: The Project does not align with the City’s goal of redeveloping areas that cannot be redeveloped by private investment alone, without public participation and assistance.

The Coalition Letter cites various public statements suggesting that the Arena Project could and would be funded solely through private investment.

NRS 279.566 provides that every redevelopment plan must provide for the participation and assistance in the redevelopment of property in the redevelopment area by the owners of all or part of that property if the owners agree to participate in conformity with the redevelopment plan. In adopting the Redevelopment Plan, the City contemplated that owners of real property within Redevelopment Area 2 would be extended opportunities to participate in redevelopment of their property by initiating new development consistent with the Redevelopment Plan.¹⁶ The Redevelopment Plan provides that the Agency may develop activities designed to support the efforts of existing businesses to expand or enhance their operations and support private efforts to attract business to the project area.¹⁷

The staff recommendation to the Agency for Item No. B.3 on the March 12, 2025 Redevelopment Agency Board meeting agenda is for the Agency to accept the Market Analysis Report and direct staff to proceed to financial gap analysis and public private partnership negotiations.¹⁸ The purpose of the gap analysis is to determine whether and the extent to which public assistance is required for the Arena Project to be financially feasible.¹⁹

Response to Coalition Letter Assertion 3: If the Agency elects to proceed with the financial gap analysis for the Arena Project, it will apply a “but for” analysis to assess whether the development

¹⁵ See NRS 279.608. This letter does not address the extension of the term of the Redevelopment Plan, which is discussed in the Market Analysis Report.

¹⁶ Redevelopment Plan, Section 402.

¹⁷ Redevelopment Plan, Addendum Report of Proposed Method of Financing and Economic Feasibility of the Redevelopment Plan, Section B.3.f.

¹⁸ See Staff Report, FN 3.

¹⁹ *Id.*

would not occur “but for” the requested public assistance.²⁰ This test determines whether the TIF or other incentives are necessary for the project to proceed and are not merely a subsidy for the Developer.

V. Summary

In reviewing the Coalition Letter and other information regarding the Arena Project discussed in this letter, we have not been presented with any facts that we believe would disqualify the Arena Project from eligibility for TIF under applicable law. When evaluating the Arena Project for eligibility for TIF, the Agency should ensure that the project is consistent with the Redevelopment Plan and qualifies under a program implemented under the Redevelopment Plan.²¹ In evaluating the project, the Agency may consider the project’s effect on eliminating blight within areas of Redevelopment Area 2 outside of the project site. Obtaining a third-party financial “gap” analysis would assist the Agency in determining whether and to what extent TIF funds are necessary for the project to provide a sufficient projected return on investment, such that the development would not occur “but for” the requested TIF.

Sincerely,

KAEMPFER CROWELL



Rory A. Robinson

RAR/tmr

Encl. (*as stated*)

²⁰ *Id.*

²¹ Redevelopment Plan, Section 405.

Joshua J. Hicks, Partner
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Reply to Reno

February 19, 2025

Via Email and Mail

Reno City Council
c/o Reno City Clerk
1 E. First Street
Second Floor
Reno, Nevada 89505
Cityclerk@reno.gov

Re: Catalyst Project Application for Tax Increment Financing by Power Sports Development, LLC for the Grand Sierra Resort Arena Development Project

Dear Councilmembers:

This letter is submitted on behalf of Caesars Entertainment, Peppermill Resort Spa Casino, Golden Road Motor Inn, Inc., BCH Gaming Reno, LLC, Nugget Sparks LLC and the Bonanza Casino LLC (collectively, the “Coalition”) to express concerns regarding Power Sports Development, LLC’s Catalyst Project Application (the “Application”) for tax increment financing (“TIF”) for the Grand Sierra Resort Arena Development Project (the “Project”). While the Coalition does not generally oppose the Project, the Coalition opposes the use of TIF for the Project, which does not appear to be a lawful use of TIF.

The Project falls within Redevelopment Area 2 (“RDA 2”), which was established in 2005. Unlike Redevelopment Area 1 (“RDA 1”), which primarily encompasses downtown Reno, RDA 2 includes a broader area, spanning from downtown Reno through the heart of the city and includes a portion of western Reno. Due to the size of RDA 2, the City has divided the area into smaller districts to “better assess the benefits of proposed projects within those areas.”¹ The smaller sized districts allow the Redevelopment Agency to “more effectively allocate funding, promoting more efficient spending of Agency funds and therefore creating more value for the City and its

¹ City of Reno Redevelopment Agency Status Report, August 2024, at pg. 22, available at <https://www.reno.gov/home/showpublisheddocument/93347/638671729097200000>.

residents.”² One of these districts within RDA 2 includes the Grand Sierra District, where the Project is located.

In conjunction with the guiding principles established by the City, NRS Chapter 279 further establishes Nevada’s policies for redevelopment. The purpose of NRS Chapter 279 is to provide an avenue for redevelopment of “blighted areas which constitute either social or economic liabilities, or both” in the “interest of the health, safety and general welfare of the people of those communities and of the State.”³ A blighted area must include at least four characteristics as defined in NRS 279.388, such as buildings or structures which are unfit or unsafe, economic deterioration, depreciated values, or a growing or total lack of proper utilization of some parts of the area. Thus, at its core, the purpose of redevelopment and the use of tax increment funding is to revitalize and eliminate areas within the City which are in disrepair and otherwise would not be developed.

When establishing RDA 2, the City established several goals for the area, including to ensure the “mitigation of blight and the prevention and spread of blight and deterioration” and the “conservation, rehabilitation, and redevelopment” in the area were consistent with the Master Plan, the Redevelopment Plan, and local codes and ordinances.⁴ Further, the City sought to prioritize “replanning, redesigning and redevelopment of areas” in RDA 2 which are “currently stagnant or improperly used.”⁵ Importantly, a goal of RDA 2 is to replan, redesign, and redevelop areas “which could not be accomplished by private investment alone, without public participation and assistance.”⁶

Evaluating the underlying policies and goals guiding redevelopment in RDA 2, it is clear the Project falls far outside the purpose of TIF and does not meet the legal requirements. The Grand Sierra District has benefited from significant recent economic development, including the completed \$55 million renovations to the Grand Sierra Resort Tower, thus falling outside the realm of a blighted area which is in need of redevelopment to improve the “health, safety, and general welfare” of the area.⁷ Indeed, as the City itself has recently acknowledged, “[t]he Grand Sierra District consists mostly of the Grand Sierra Resort and the supplemental properties supporting the resort. As many of these parcels are well-kept and only serve the resort and guests, *there is little need for redevelopment in this area and thus little need for redevelopment funding support.*”⁸ While the Grand Sierra District may fall within the current boundaries of RDA 2, the district has not updated the Plan since 2019—despite the significant changes to the area in the past five years.⁹

² *Id.*

³ NRS 279.416.

⁴ RDA 2 Goal A from 2005 Plan.

⁵ *Id.*, Goal F.

⁶ *Id.*, Goal H.

⁷ NRS 279.416.

⁸ See City of Reno Redevelopment Agency Status Report, at pg. 37 (emphasis added).

⁹ RDA No. 1 and 2 Aerial and Map, available at <https://www.reno.gov/home/showpublisheddocument/83585/637177219320100000>.

Moreover, the Project does not align with the City's goal of redeveloping areas that cannot be redeveloped "*by private investment alone*, without public participation and assistance."¹⁰ As demonstrated by the Application and public statements from representatives and supporters of the Project, the Project does not require public participation and assistance. Indeed, Alex Meruelo stated at a September 27, 2024 press conference that the Project is the "largest private investment in the City of Reno."¹¹ University of Nevada Reno's president Brian Sandoval, speaking in support of the Project, stated at that same press conference that "[t]here will be no public dollars invested in the construction of this facility."¹² Further, at the October 23, 2024 Redevelopment Agency Meeting, Meruelo Gaming chief strategy officer Andrew Diss stated that the Project was not seeking bonds from the City, demonstrating the Project's viability without public participation and assistance.¹³ Thus, the Project seeks to utilize public money for the benefit of its owners despite their public admissions that the Project could and would be funded solely through private investment.

Ultimately, while the Grand Sierra District may benefit from the Project, this benefit is better funded through private investment, not public funding support, as the parcels and the Project serve the resort and guests. The Grand Sierra Resort has and will continue to develop without TIF assistance. At the same time, at the City Council meeting on October 23, 2024, the Council was informed that the City's general fund is projected to be in a deficit by fiscal year 2028, with significant increases to the deficit in subsequent years.¹⁴ At the City Council meeting on January 22, 2025, Council was informed by staff that increased expenditures and decreased revenues have resulted in the use of one-time funds to bridge budget gaps, and that relying on one-time funds for future budget gaps may not be an option, meaning the City's budget deficit is imminent.¹⁵ The optics of providing TIF for a project that can be built without it are not good, particularly when at the same time the City engages in bridge funding for the current budget and prepares to enact

¹⁰ RDA 2 Goal H from 2005 Plan (emphasis added).

¹¹ September 27, 2024 Press Conference at 15:05, *available at* <https://mynews4.com/news/local/renos-grand-sierra-resort-announces-plans-for-1-billion-entertainment-district>.

¹² *Id.* at 28:30.

¹³ October 23, 2024 Reno City Council Meeting at 7:10:57-7:11:42, *available at* https://www.youtube.com/watch?v=D2cPa6ntCNE&list=PLgN8R2mAccnasTHcBxdr_Lx1Lh2ITXEMG&index=8 ("I want to stay perfectly clear. Page 2 of our Application is where you check the box if you want to apply for bonds. We're not applying for bonds. I'm going to say that again—we're not applying for bonds. We have no intention of doing that.").

¹⁴ October 23, 2024 Staff Report by Vicki Van Buren, Director of Finance at pg. 60, *available at* <https://reno.primegov.com/Portal/Meeting?meetingTemplateId=6496>. At that same meeting, the City's financial office noted that the looming deficit is due to "[s]low revenue growth and increasing labor costs" that will "create challenges to get back to balanced budget in the future."

¹⁵ January 22, 2025 Staff Report by Vicki Van Buren, Director of Finance at pg. 2, *available at* <https://reno.primegov.com/Portal/viewer?id=0&type=7&uid=3a9c92cf-36d2-4098-b32e-8c9347ad675e>.

austerity measures to avoid a deficit in future years. A better use of RDA funds would be for the redevelopment of truly blighted areas, prioritizing community needs such as affordable housing.¹⁶

We respectfully request that the City Council take these comments under consideration before supporting RDA funds for the Project.

Sincerely,



Joshua J. Hicks

¹⁶ See NRS 279.425(1) (stating that the “provision of housing is a fundamental purpose” of Chapter 279); *see also* NRS 279.685 and NRS 279.676.