

## STAFF REPORT

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**Date:** August 28, 2024

**To:** Mayor and City Council

**Through:** Jackie Bryant, Interim City Manager

**Subject:** Resolution No. \_\_\_\_\_ (For Possible Action): Resolution of the City Council of the City of Reno, Nevada, to transfer to the Director of the Nevada Department of Business and Industry all of the City of Reno's Private Activity Bond Cap for 2024 to Arrowleaf, LP, for the benefit of the project identified as "Arrowleaf on Harvard" and providing other details in connection therewith.

**From:** Elaine Wiseman, Housing Manager

**Department:** City Manager's Office – Housing & Neighborhood Development

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### Summary:

An application for all the City's Volume Cap has been received. This application is for the development of a multi-family, affordable housing rental project in Reno known as Arrowleaf on Harvard. Subject to Council's resolution to make the transfer, the requested amount of Volume Cap will be transferred to the State of Nevada Department of Business and Industry for bond issuance and will address the City's priority to support affordable housing. Allocating the City's Volume Cap to the development of this multi-family rental project will provide up to 168 units of affordable rental housing, all of which will serve those households making between 40 and 70 percent of the area median income (AMI). Staff recommends Council approval of the attached resolution which provides for the transfer of all the City of Reno's 2024 Private Activity Bond Volume Cap to the Director of Business and Industry for the benefit of the development of Arrowleaf on Harvard Apartments project in Reno.

Consent Review	Yes	No
1. Is this item an annual or standard item that comes before Council for regular approval?	X	
2. Is this item an agreement required based on an item previously approved by Council?		X
3. Is this item included in the current budget approved and adopted by Council?		X
Other Considerations		
What percent of the total City budget does this item represent?	N/A	

**Alignment with Strategic Plan:**

Economic Opportunity, Homelessness, and Affordable Housing

**Previous Council Action:**

There is no recent Council action relevant to this item.

**Background:**

Each year the City is allocated a portion of the State's Industrial Development Revenue Bond (IDRB) capacity. The City refers to this program as Private Activity Bond Volume Cap. The Volume Cap program allows developers to take advantage of tax-exempt financing, which lowers their development and interest costs. The 2024 City Volume Cap allocation is \$17,090,649.91 and must be allocated by September 1, 2024, or it reverts to the State automatically.

**Discussion:**

Each year the City is allocated a portion of the State's Industrial Development Revenue Bond (IDRB) capacity. The City refers to this program as Private Activity Bond Volume Cap. The Volume Cap program allows developers to take advantage of tax-exempt financing, which lowers their development and interest costs. The 2024 City Volume Cap allocation is \$17,090,649.91 and must be allocated by September 1, 2024, or it reverts to the State automatically.

On July 12, 2024, City staff received a request from Arrowleaf, LP, to transfer all the City's Volume Cap of \$17,090,649.91 or a lesser amount as available of the City's allocation of the 2024 Volume Cap to the Director of the Department of Business and Industry, for the issuance of tax-exempt revenue bonds for development of Arrowleaf Apartments in Reno. The balance in bond issuance, after the City of Reno's allocation, will be issued by the Department of Business and Industry. Arrowleaf on Harvard is a proposed development of 168 units of multifamily affordable housing.

Arrowleaf is located in the Airport West neighborhood, a mixed-use submarket north of Vassar Street, west of the 580 Freeway, east of Kietzke Lane, and south of Automotive Way. This location is characterized by a wide variety of uses, including automotive sales, service, and repair businesses to the Project's immediate north and northeast, the Mesa Rim Climbing Center (built in 2017) to the Project's immediate east, the Colony Inn Studios and Apartments property (built in 1973) to the Project's south and southeast, the 40-unit Harvard Apartments (built in 1964) to the Project's immediate south, and a variety of commercial buildings to the west and southwest, including The Assistance League Thrift Store and Town and Country Shopping Center (includes restaurants, a bakery, and a market).

The Project is proximate to:

- Libby Booth Elementary School (.8 miles to the northwest)

- Roger Corbett Elementary School (.5 miles to the south)
- Vaughn Middle School (.6 miles to the west)
- Earl Wooster High School (.4 miles to the south)
- Wilkinson Park (.6 miles to the northwest)
- Assistance League Thrift Store (.2 miles)
- Boys and Girls Club of Truckee Meadows (.6 miles to the west)
- The Main Branch of the United States Post Office (.2 miles to the southeast)
- Costco (.8 miles to the south)
- The Walmart Supercenter (1.3 miles to the north/northeast)
- The Reno Tahoe International Airport (1.5 miles to the east)

Arrowleaf is also well-located in terms of its proximity to major arterials and via those arterials to area employment centers and the Reno-Tahoe International Airport (RTIA). The Project is approximately .5 miles from Mill Street access to the 580 Freeway (to the Project's north/northeast) and 1 mile from the Plumb Lane access to the 580 Freeway (to the Project's south/southeast).

The Project is well located with respect to public transportation with the following close-in bus stop locations:

- Vassar Street (Bus Line #13)
- Kietzke Lane northbound (Bus Line #9)
- Kietzke Lane southbound (Bus Lines #9 & #13)
- Center Street northbound (RTC RAPID Virginia Line)
- La Rue Avenue Station southbound (RTC RAPID Virginia Line)

Arrowleaf's financing includes tax-exempt construction financing from Citi Community Capital, permanent financing take-out through the issuance of a Fannie Mae Mortgage Backed Security (MTEB), subordinate gap financing from the Nevada Housing Division (in the form of a subordinate development loan), a Washoe County HOME Consortium (WCHC) Affordable Housing Permanent Loan Program (AHMLP) HOME Loan (also in the form of a subordinate loan), equity derived from the sale of 4 percent Federal Low-Income Housing Tax Credits (LIHTC), State of Nevada Transferrable State Tax Credits, an anticipated Property Tax Exemption (qualified for via the Project's HOME Loan funding), and a Deferred Developer Fee note.

Arrowleaf is located within Census Tract 21.07, a Qualified Census Tract, qualifying the Project for a 30 percent boost in otherwise eligible tax credit basis.

Funding the project is in conformance with the City's Industrial Development Revenue Bond program priorities for funding, namely:

- (1) Affordable housing and manufacturing projects
- (2) Other eligible uses except for utility projects
- (3) Utility projects

**Financial Implications:**

None. All the City's Volume Cap will be transferred to the State of Nevada Department of Business and Industry, which will issue the bonds. Repayment of bond principal and interest will be the responsibility of the developer and paid through project operating income.

**Legal Implications:**

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

**Recommendation:**

Staff recommends Council adopt the resolution to transfer to the Director of the Nevada Department of Business and Industry all of the City of Reno's Private Activity Bond Cap for 2024 to Arrowleaf, LP, for the benefit of the project identified as "Arrowleaf on Harvard" and providing other details in connection therewith.

**Proposed Motion:**

I move to approve staff recommendation.

**Attachments:**

Arrowleaf on Harvard Resolution