

STAFF REPORT

Date: September 25, 2024

To: Mayor and City Council

Through: Jackie Bryant, Interim City Manager

Subject: Resolution No. _____ (For Possible Action): Adoption of a Resolution determining that is in the best interest of the public to sell properties located at 315 and 335 Record Street, Assessor's Parcel Numbers (APNs) 007-313-27, 007-313-28, 007-313-30, 007-314-14, 008-350-10 [Portion], & Portion of Record Street to be abandoned [No Parcel Number], which consists of five parcels totaling approximately 2.4± acres, under NRS 268.063 without first offering it to the public. Two appraisals were conducted, setting a Fair Market Value of the properties at \$3,375,000.

From: Bryan McArdle, Revitalization Manager

Department: City Manager's Office

Summary:

Council has selected, through a Request for Proposal (RFP) process, to dispose of the properties formerly known as the Community Assistance Center located at 315 and 355 Record Street. The proposal selected was Ulysses Development Group, LLC which proposed building 136 units of affordable housing on the sites. Per NRS 268.063 the City may sell real property for the purpose of economic development without first offering it to the public and for less than fair market value if Council by resolution determines that it is in the best interest of the public to do so. The proposed project meets the definition of Economic Development under NRS 268.063(4)(a)(4). Per NRS 268.059, before Council may sell a property, it must obtain two independent appraisals or obtain one appraisal and then hold a public hearing on the matter of Fair Market Value. Staff received two appraisals on the properties which determined the Fair Market Value to be \$3,375,000.

Alignment with Strategic Plan:

Economic and Community Development

Previous Council Action:

August 14, 2024-Council was presenting with the development proposals and presentation

pursued through the Request for Proposals (RFP) process. Council directed staff to enter into an exclusive negotiation agreement with Ulysses Development Group (UDG) for 136-unit affordable housing development. Offer price: 15 yr seller note for \$3,400,000.

April 4, 2023 - Council was presented with a Letter of Interest and presentation from Bash Capital, LLC to purchase the CAC. Council directed staff to obtain appraisals and pursue proposals through a Request for Proposal (RFP) process in lieu of a sale to Bash Capital, LLC.

Background:

In late 2003, Council identified Record Street for the co-location and expansion of homeless services. The Men's Drop-in Center, Reno-Sparks Gospel Mission, and St. Vincent's Dining Facility were relocated, and a new women's shelter, family shelter, triage center, and community resource center were built circa 2008. The construction costs for both buildings exceeded \$20,000,000 with approximately \$3,000,000 in Community Development Block Grant (CDBG) funds used to cover the construction costs and bond debt. As the Nevada Cares Campus was completed in the Spring of 2021, and operations ceased at the City-owned properties located at Record Street, the City no longer has a public need for the facilities and the City could dispose of these properties. The city-owned buildings are generally known as the CAC, which consists of two buildings, one being 47,992 square feet in size and the other 21,937 square feet. The general area is over 2.2 acres and will require an additional portion of Record Street to be abandoned.

Discussion:

Under NRS 268.063 the City may offer the subject site through a sale or long term ground lease to the selected developer for a "fair market value", which considers the community, economic, and social benefits of the planned development. The City has received two independent appraisals for this property at \$3,350,000 and \$3,400,000, making the "fair market value" of the subject sites \$3,375,000. The Proposer Ulysses Development Group has offered \$3,400,000 for the properties to be financed through a 15-year seller note carried by the City.

Financial Implications:

Community Development Block Grant (CDBG) funds were utilized in the construction of the CAC in 2008. The construction costs of both facilities exceeded \$20,000,000 with approximately \$3,000,000 in CDBG funds used to cover the construction costs and bond debt. This proposal is a CDBG eligible project and does not require repayment or reallocation of funding. However, sale proceeds shall be retained as income for the City to use on other eligible projects.

The seller note does have certain risk. The City is in a subordinate position, which means that in the event of a default or financial trouble with the project, the senior lender, the Nevada Housing Division (NHD), and deferred developer fees will be paid first. Only if those debts are fully satisfied will the city receive repayment. If the value of the project or proceeds from a sale or

foreclosure are insufficient to cover all debts, the city may not recover the full (or any) amount of the seller note, nor regain control of the properties. Section 42 of the federal tax code and the Nevada Housing Division require that the seller note shall not prohibit the repayment of deferred developer fees prior to year 15 of property operations.

Legal Implications:

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

Recommendation:

Staff recommends Council adopt the resolution.

Proposed Motion:

I move to approve staff recommendations.

Attachments:

Resolution to sell 315/ 355 Record Street

JSWA Record Street Appraisal

JPG Record Street Appraisal