STAFF REPORT

Date: May 7, 2025

To: Chair and Members of the Redevelopment Agency Board

Through: Jackie Bryant, Executive Director

Subject: Staff Report (For Possible Action): Presentation on the Grand Sierra Resort Arena Project's request for Tax Increment Financing, including a summary of the financial gap analysis, potential approval of deal terms, and potential delegation of authorization to execute the final participation agreement to the Executive Director of the Redevelopment Agency.

From: Bryan McArdle, Revitalization Manager

Department: Redevelopment Agency

Summary:
A Catalyst Project application requesting Tax Increment Financing (TIF) to support Phase 1 of the Grand Sierra Resort Arena Expansion Project has been reviewed, and an independent financial gap analysis has been completed. The analysis, conducted by Hunden Partners, confirms a financing gap that renders the project financially infeasible without Tax Increment Financing (TIF) assistance from the Redevelopment Agency. Phase 1 of the project plan includes a 10,000-seat arena, community ice rink, parking garage, aqua golf facility and supporting infrastructure on the 140-acre site (APN 012-211-28).

The estimated property tax increment generated by Phase 1 of the project through the sunset of the Redevelopment Area 2 Plan in 2035 is $68.1 million. Three proposed deal structure options are presented for Redevelopment Agency Board consideration. Staff is requesting approval of the preferred deal terms and authorization to finalize an Owner Participation Agreement (OPA) consistent with the selected terms.

Alignment with Strategic Plan:
Economic and Community Development

Previous Council Action:
August 14, 2024: Agency Board adopted the Redevelopment Agency Participation Program and Application Form.

October 23, 2024: Agency Board directed staff to proceed with a market analysis with Hunden Partners.

March 12, 2025: Agency Board accepted the Hunden Partners market analysis report and directed staff to proceed with the financial gap analysis and deal negotiations.

Background:
Power Sports Development LLC, a single purpose entity formed for the development of the Grand Sierra Resort, submitted a Catalyst Project application to the Redevelopment Agency seeking Tax Increment Financing. The Grand Sierra Resort Arena Expansion Project is a $1 billion, mixed-use development that will serve as a major catalyst for regional economic growth.

The developer proposes an expansion project totaling $786 million during Phase 1 of construction. The Phase 1 scope includes:

- A 10,000-seat multi-purpose arena
- Community ice rink
- Parking garage
- Aqua golf facility
- Supporting infrastructure

Hunden Partners was engaged to independently assess the project's financial feasibility for Phase 1 and conduct a gap analysis. Their findings conclude that Phase 1 of the project is not viable without public participation, satisfying the "But For" requirement for TIF support.

The Redevelopment Plan for Redevelopment Area 2 authorizes the City of Reno Redevelopment Agency to capture all new property tax revenue (tax increment) generated above the base year value established when the plan was adopted in 2005. These tax increment funds are captured by the Agency through 2035 and are reinvested to achieve the objectives of the Redevelopment Plan including support for economic development, infrastructure improvements, the elimination of blight, public amenities, and strategic investment in both public and private redevelopment projects.

The Agency is empowered to participate in the financing of private development projects if such participation is consistent with the Plan and if the project satisfies the "but for" test. This test evaluates whether the proposed development would be financially infeasible *but for* the TIF assistance, ensuring public investment is only made when necessary to close a demonstrated financial gap. Once the Redevelopment Area 2 Plan sunsets in 2035, all future property tax revenue generated within the area will revert to the standard distribution among local taxing entities, with the City of Reno receiving approximately 26% of those revenues under the existing tax allocation formula.

Discussion:

Hunden Partners was engaged to independently assess the project's financial feasibility and conduct a gap analysis for Phase 1.

Key Findings from Gap Analysis:

- Total Phase 1 Project Costs: $785.7 million
- Verified Financial Gap: $145.8 million
- Property Tax Increment Generated by 2035 (RDA 2 Plan Sunset): $68.1 million
- Total Property Tax Increment Generated through 2055: $294.1 million
- Estimated New Tax Revenue to the Region by 2055 (Property, C-Tax, Hotel): $224.8 million
- Return on Investment (to City): 121% on $61.3 million reimbursed
- Return on Investment (to the Region): 367% on $61.3 million reimbursed
- Regional Project Impact: Average of 353 full-time equivalent jobs annually through 2055; $2.4 billion in net new spending

Based on the findings of the gap analysis staff has engaged in negotiations with the developer around the structure of TIF assistance and has settled on three options described below.

Proposed Deal Term Options:

Standard Deal Parameters (Applies to All Options)

- The expected property tax increment to be generated by the project through 2035 when the Redevelopment Area 2 Plan (RDA 2) sunsets is $68.1 million as is the total amount available for reimbursement.
- The project will be constructed, assessed, and property tax paid by the developer before any reimbursements are issued.
- No up-front or advance payments will be made.
- No bonding or loans will be undertaken by the City of Reno or Redevelopment Agency.
- All reimbursements are expected to cease with the sunset of RDA 2 in 2035.

Option 1: 100% TIF Reimbursement & Land Deeded to City of Reno - $68.1 million to GSR

- 100% of eligible tax increment reimbursed to developer through 2035
- Fire Station 21 land deeded to the City of Reno

- Lease payments for Fire Station 21 cease the month following OPA execution

Option 2: 90% / 10% TIF Reimbursement & Lease Continuation - $61.3 million to GSR, $6.8 million to the Redevelopment Agency

- 90% of increment reimbursed to developer; 10% retained by RDA 2 through 2035
- Fire Station 21 lease continues at market rate
- City or Agency has the option to purchase the Fire Station 21 site in the future

Option 3: 90% / 10% TIF Reimbursement – River Investment & Land Purchase- $61.3 million to GSR, $6.8 million to the Redevelopment Agency

- 90% of increment reimbursed to developer; 10% retained by RDA 2 through 2035
- 10% to RDA 2 shall be earmarked for Truckee River improvements adjacent to the project and for the purchase of the Fire Station 21 site

Financial Implications:
The proposed project is not feasible without public participation due to a $145.8 million gap. The expected property tax increment created by the project and transferred to the Redevelopment Agency by 2035 is $68.1 million and would be available to be reimbursed to the developer.

The proposed TIF deal requires no upfront City or Redevelopment Agency investment. The Redevelopment Agency will recoup its administrative costs through a 1% agency administration fee based on the total amount of tax increment financing agreed upon, and will be paid in full from the first tax increment reimbursement.

The City and the Redevelopment Agency assume no financial risk, and all reimbursements are performance-based. In addition to significant property tax returns, the project provides long-term regional benefits through increased tourism, job creation, and community activation. Through 2055 the City of Reno is expected to receive $74 million in new tax revenue from future Consolidated Tax, Property Tax, and other taxes.

Under a 100% reimbursement the Redevelopment Agency would retain no tax increment funds. After the sunset of RDA 2 area in 2035 the ongoing property tax increment generated would be distributed to the other government agencies and municipalities under the normal distribution, of which the City of Reno would receive 26% of property tax revenues.

Under a 90% reimbursement the Redevelopment Agency would retain an estimated $6.8 million through 2035 to support capital improvement projects and agency operations through the RDA 2 area. After the sunset of RDA 2 area in 2035 the ongoing property tax increment generated would be distributed to the other government agencies and municipalities under the normal distribution, of which the City of Reno would receive 26% of property tax revenues.

Legal Implications:

Legal review was completed for compliance with Nevada Community Redevelopment Law, the current Redevelopment Area 2 Plan, and Nevada Law.

The proposed Phase 1 of the project qualifies as a lawful use of TIF under the Community Redevelopment Law and the adopted Redevelopment Plan for Area No. 2.

Recommendation:
Staff recommends the Redevelopment Agency Board:
1. Approve the proposed deal terms for the Grand Sierra Resort Arena Project.
2. Authorize the Executive Director of the Redevelopment Agency to execute the final Participation Agreement, which will be drafted based on these terms.

Proposed Motion:
I move to approve the staff recommendation and authorize the Executive Director of the Redevelopment Agency to execute the final Participation Agreement based on the presented deal terms.

Attachments:

- Term Sheet between the City of Reno Redevelopment Agency and Power Sports Development
- Draft Owner Participation Agreement
- Staff Presentation
- Grand Sierra Resort Arena Project Presentation
- Hunden Partners Gap Analysis Presentation