

## STAFF REPORT

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**Date:** April 10, 2024

**To:** Mayor and City Council

**Through:** Doug Thornley, City Manager

**Subject:** **Staff Report (For Possible Action): Presentation, discussion, and direction to staff on the potential disposition of the Community Assistance Center (CAC) properties generally 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], and Portion of Record Street [No Parcel Number]), Reno, Nevada, in response to a Letter of Interest by Bash Capital, LLC to include entering into an Exclusive Negotiating Agreement, obtaining an appraisal, and/or reversion of acreage; together with matters which pertain to or are necessarily connected therewith.**

**From:** Bryan McArdle, Revitalization Manager

**Department:** City Manager's Office

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**Summary:**

Staff requests direction regarding the Letter of Interest received from Bash Capital, LLC to purchase the former Community Assistance Center (CAC) 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 [No Parcel Number]), which consists of five parcels totaling approximately 2.4+/- acres, to develop an attainable workforce housing project. The City of Reno Management Policy covering the Disposition of City-Owned Real Property (eff. 06-25-19), Section IX. C. requires Council to determine if and how the property should be disposed of.

**Alignment with Strategic Plan:**

Economic and Community Development

**Previous Council Action:**

There is no recent Council action relevant to this item.

**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. The table below provides a summary of the parcels that would be included in the sale, should Council accept the offer.

<b>Parcel</b>	<b>Land (Acres)</b>	<b>Building (SF)</b>
007-313-27	0.448	47,992
007-313-28	0.389	21,937
007-313-30	0.185	
007-314-14	0.310	
008-350-10 <sup>1</sup>	0.900	
<b>Totals</b>	<b>2.232</b>	<b>69,929</b>

1. A portion of - total lot size is 2.19 acres

Currently, both buildings are in a state of substantial degradation with considerable water damage and mold from a leaking roof. The utilities encompassing the electrical; heating, ventilation, and air conditioning (HVAC); plumbing; and elevator systems have been vandalized multiple times. There have been 13 break-ins since the campus closed around November 1, 2022, and copper plumbing, fire alarm panels and devices, elevators, windows, walls, floors, doors, and electrical wiring and fixtures have been damaged and stolen. The costs to repair these components to bring the building back into operation are roughly estimated at \$2,750,000.

The five years of maintenance and operations costs for the CAC from January 1, 2018, to December 31, 2022, totaled \$1,973,840. Details on the above-mentioned conditions and cost estimates as well as the forensic investigation report are in the attached Council Memo dated September 21, 2023.

In June 2023 staff obtained a restricted appraisal on the properties for the purpose of estimating the value of the property in its current condition under two scenarios. The first valuation scenario assumes that both buildings on the subject site would be demolished to redevelop the site. The

second valuation scenario assumes that only the building at 315 Record Street would be demolished, and the building at 335 Record Street would remain on the site.

<b>MARKET VALUE CONCLUSION-SCENARIO 1 (ASSUMES DEMOLITION OF BOTH BUILDINGS ON THE SITE)</b>			
<b>Value Addressed</b>	<b>Property Rights Appraised</b>	<b>Date Of Value</b>	<b>Value Conclusion</b>
<b>Market Value Assuming Both Buildings Demolished</b>	<b>Fee Simple Interest</b>	<b>06/08/2023</b>	<b>\$3,950,000</b>

<b>MARKET VALUE CONCLUSION-SCENARIO 2 (ASSUMES BUILDING AT 335 RECORD STREET REMAINS ON PROPERTY)</b>			
<b>Value Addressed</b>	<b>Property Rights Appraised</b>	<b>Date Of Value</b>	<b>Value Conclusion</b>
<b>Market Value Assuming 335 Record Street Building Remains</b>	<b>Fee Simple Interest</b>	<b>06/08/2023</b>	<b>\$4,250,000*</b>
<b>* Assumes Building at 315 Record Street is Demolished</b>			

**Discussion:**

At this time, staff is unaware of the property’s current resale value, and new appraisals are needed.

Bash Capital has submitted a letter of interest and is proposing purchasing the CAC and surrounding property under two options described in the attached term sheet.

**Option A:** A purchase price of \$1,500,000 with no development agreement.

**Option B:** A purchase price of \$1 where the buyer will enter into a development agreement under which the development will be a multifamily project that will have at least 51% of its residential units offered at 80% (AMI) or less per Housing and Urban Development (HUD) income limits.

The project developer is seeking U.S. Department of Transportation (USDOT) funding which will supply a 40-year note at 4% interest and five years of debt service abatement for transit-oriented development.

The CAC was built utilizing \$3,000,000 in CDBG funds, which amounts to 15% of the project's original costs. If the property is disposed of, or changes to a use not eligible under CDBG, the City's CDBG program must be reimbursed in the amount of the current fair market value of the property, less any portion of the value attributable to expenditures of non-CDBG funds for acquisition of, and improvements to the property per 24 CFR 570.505 & 24 CFR 570.503(b)(7).

Since Workforce Housing provided at 60 to 80% AMI is eligible, the CDBG funds could stay with the project under Option B.

In an effort to facilitate the revitalization of downtown Reno and to follow through on the strategic priorities and goals of the City to increase infill development, manage debt, and explore opportunities to address affordable and workforce housing, staff recommends the City dispose of the Record Street properties either through a direct sale to a qualified developer that meets the economic development and redevelopment purposes defined by Nevada Revised Statute (NRS) 268.063, entertain proposals via the Request for Interest (RFI)/Request for Proposal (RFP) process, or through a public auction.

Regardless of the approach, staff is seeking Council approval to take the necessary actions to support the disposal of the property. These items would include completing appraisals and performing any boundary line adjustments or parcel maps needed.

**Financial Implications:**

At this time there are limited financial implications to the City. The anticipated appraisal costs are approximately \$20,000. Staff expects that a parcel map or boundary line adjustment will also be needed at a cost of approximately \$10,000. The more significant issue related to financing is the fact that CDBG funds were used in the construction of the facilities. Of the \$20,000,000 spent, approximately \$3,000,000 came from CDBG funds. As such, under most scenarios, the property would be sold for fair market value in order to retain the funds as program income for the City to use on other CDBG-eligible projects.

**Legal Implications:**

Legal review completed for compliance with City procedures and Nevada law. Depending on the final disposition approach chosen, applicable provisions under NRS 268 would need to be followed.

**Recommendation:**

Staff recommends Council direct staff to take all actions necessary to prepare the CAC property for sale, including but not limited to, ordering appraisals and completing any necessary parcel maps or boundary line adjustments; and direct staff to either enter into negotiations with Bash Capital, LLC and return to Council with a purchase and sale agreement for approval pursuant to NRS 268.059 and 268.063; prepare and release an RFP for the sale of the CAC; or auction the property pursuant to NRS 268.062.

**Proposed Motion:**

I move to approve the following staff recommendations: staff shall take all actions necessary to prepare the Community Assistance Center property for sale, including but not limited to,

ordering appraisals and completing any necessary parcel maps or boundary line adjustments; and staff shall enter into an exclusive negotiating agreement with Bash Capital, LLC and return to Council with a purchase and sale agreement for approval pursuant to NRS 268.059 and 268.063; or staff shall prepare and release a Request for Proposal for the sale of the Community Assistance Center; or staff shall auction the property pursuant to NRS 268.062.

**Attachments:**

CAC Property Map

Letter of Intent to Purchase 315 & 355 Record Street Properties - 1/26/24

Proposed Term Sheet from Bash Capitol - 1/26/24

City Manager's Office Memorandum - 315 & 355 Record Street - 9/21/23

Councilmember Jenny Brekhus Requested Attachment