

B.16 Resolution No. ____ (For Possible Action): Resolution of the City Council of the City of Reno, Nevada, to be provided to the Director of the Nevada Department of Business and Industry, supporting the 136 unit affordable housing development by Ulysses Development Group at 315-335 Record Street.

STAFF REPORT

Date: January 22, 2025

To: Mayor and City Council

Through: Jackie Bryant, City Manager

Subject: Resolution No. ____ (For Possible Action): Resolution of the City Council of the City of Reno, Nevada, to be provided to the Director of the Nevada Department of Business and Industry, supporting the 136 unit affordable housing development by Ulysses Development Group at 315-335 Record Street.

From: Elaine Wiseman, Housing Manager

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

Summary:

The State of Nevada Department of Business and Industry is designated as the issuer of tax-exempt housing revenue bonds in Nevada by the Internal Revenue Service. Each year, the City of Reno is allocated a portion of the State's bond capacity, referring to this program as the Private Activity Bond Volume Cap (Volume Cap). While the City of Reno has already allocated their allotted amount of Volume Cap for this year, per Nevada Administrative Code (NAC) 319.7115, the State can issue 100 percent of the tax-exempt bonds for a housing project if the Director of the Department of Business and Industry receives a letter indicating support of a project from the local government, and the Division has sufficient Volume Cap to provide the project. Ulysses Development Group (UDG) is seeking an amount not to exceed \$26.2 million in tax-exempt bonds to finance the development of the Record Street Property, a 136-unit apartment complex for low-income individuals and families on located at 315-335 Record Street in Reno. UDG is requesting the City of Reno provide the State of Nevada a letter of support from the governing body. UDG is also requesting that the State Department of Business and Industry fully fund the Volume Cap needed for this project since the City of Reno's Volume Cap has already been allocated for the year.

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:

October 23, 2024- City of Reno and UDG entered into an exclusive negotiating agreement granting UDG the exclusive right to negotiate a Disposition and Development Agreement for the purchase and development of the Subject Property into a new affordable housing community.

Background:

Each year, the Internal Revenue Service allocates to each state the right to issue a certain amount of federally tax-exempt private activity bonds (referred to as Volume Cap), and pursuant to NRS Chapter 348A and NAC Chapter 348A, the Director of the Department of Business and Industry receives the State's Volume Cap from the IRS and allocates 50 percent to the State and 50 percent to local governments based on population.

Most of the State's portion of the Volume Cap is used by the Nevada Housing Division to issue tax exempt bonds to finance affordable housing projects, and the Housing Division usually requires that the local government contribute some of its Volume Cap to finance those projects. Although the 2024 City's Volume Cap allocation has already been distributed, per the Nevada Administrative Code (NAC 319.7115), the State can issue 100 percent of the tax-exempt bonds for a housing project if the Director receives from the local government a letter indicating support of a project, and the State has sufficient Volume Cap to provide the project.

Discussion: UDG is proposing to develop the Record Street property into a 136 unit affordable housing community consisting of residential units ranging from one to four bedrooms in size. Units of the proposed project are to be set aside at an overall income average of 60% of the AMI with 10 units at or below 30% AMI, 16 units at 70% AMI and the remainder of units (110) set aside at 60% AMI.

The new affordable housing development will be located on approximately 2.81-acres of land located in Downtown Reno. The Subject Property is currently owned by the City and has two existing structures that are proposed to be demolished. The subject property is located directly north of the Reno Aces Ballpark and adjacent to RTC's 4th Street Station providing residents with direct access to eight bus routes, accessing all regional destinations in the Reno metro area.

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

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

Financial Implications:

None. The State of Nevada Department of Business and Industry 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

Proposed Motion:

Move to approve the Resolution supporting Ulysses Development Group's affordable housing development project located at 315-335 Record Street in Reno and providing said resolution to the Director of the Nevada Department of Business and Industry.

Attachments:

Project Description
Record Street Resolution



DATE: 11/6/2024

TO: Elaine Wiseman, City of Reno Housing Manager

FROM: Ulysses Development Group

RE: 315 Record St – City of Reno Private Activity Bonds Resolution of Support Request

Dear Ms. Wiseman:

Ulysses Development Group (“UDG”) is writing to the City of Reno regarding a proposed affordable housing development to be located at 315-335 Record Street, Reno, Nevada 89512. (“Subject Property”) Specifically, UDG is proposing to construct a new affordable housing community consisting of approximately 136 residential units, which will range from one to four bedrooms in size. (“Proposed Project”) On October 23, 2024, the City of Reno and UDG entered an exclusive negotiating agreement (“ENA”), granting UDG the exclusive right to negotiate a Disposition and Development Agreement (“DDA”) for the purchase and development of the Subject Property into a new affordable housing community.

One of the prerequisites for applying to the Nevada Housing Division for the final awards of federal 4% low-income housing tax credits necessary to finance the Proposed Project is receipt of either (1) a reservation of tax-exempt bond volume cap from a local jurisdiction, or (2) a resolution from the local jurisdiction expressing support for the Proposed Project in lieu of an actual reservation of bonds. Given that the City of Reno’s application for tax-exempt bond volume cap is closed currently, UDG kindly requests approval of a resolution of support for the Proposed Project to allow UDG to commence the application process with the Nevada Housing Division.

However, please note that the approval of this requested resolution of support will not preclude UDG from applying for an award of 2025 tax-exempt bond volume cap from the City of Reno at a later date; an award of tax-exempt bond volume cap from the City of Reno will be an important prerequisite to receipt of final required financing approvals from the Nevada Housing Division.

Included below are further details on the Proposed Project as well as details on UDG.

Thank you for your consideration and please do not hesitate to contact Ryan Watt with Ulysses Development Group with any follow-up questions.

Ryan Watt
Senior Associate – Development
Ulysses Development Group
Ryan.Watt@ulyssesdevelopment.com
781-742-4741



Ulysses Development Group:

UDG's primary mission is to address the growing national shortage of affordable housing by increasing the number of high-quality housing options available to low-income individuals and families across the country. Founded in 2021 by Yoni Gruskin and Connor Larr, UDG currently employs 30 affordable housing professionals with a wide variety of backgrounds and experience ranging from development, construction, asset management, compliance, accounting, and finance.

Since its founding, UDG has closed on the construction of 1,025 units of affordable housing, deploying over \$169.2 million of low-income housing tax credit ("LIHTC") equity for the delivery of highly desirable affordable housing communities across the country. In addition to this, UDG has a current development pipeline of 1,500 affordable units and has acquired over 1,000 stabilized affordable housing units to preserve the assets as affordable for low-income families and individuals. Notably, this experience in the development of affordable housing applies to a UDG community currently under construction in Nevada.



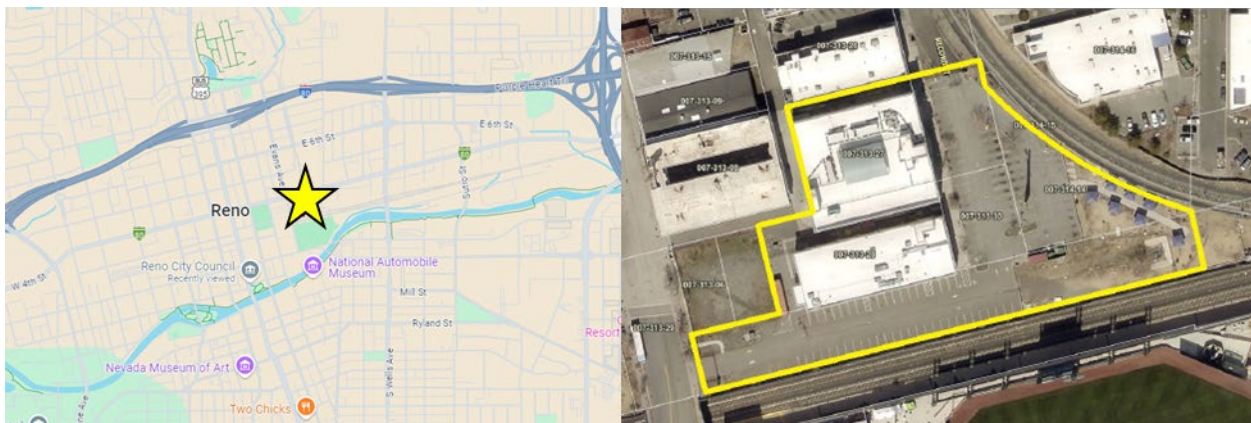
The Ridge at Sun Valley is a 195-unit affordable housing development located in Washoe County, just north of Reno. After breaking ground in January 2023, this development became the first affordable housing project to leverage Nevada State Tax Credits. The award of these credits helped to generate an additional \$2.610 million in tax credit equity proceeds, which helped to ensure the viability of the affordable housing community. In addition, the capital stack for the Ridge at Sun Valley included ARPA funds made available through the Home Means Nevada Initiative ("HMNI"), administered by the Nevada Housing Division. UDG received this funding award via a highly competitive selection process, which had over \$1 billion in total funding requests compared to only \$300 million of available HMNI ARPA funding for new unit construction. In addition, this affordable housing community was the first in the state of Nevada to close on an award of HMNI APRA funds. The project is expected to be completed by Summer 2025.

The preservation of existing low-income housing, as well as the creation of new units of affordable housing across the country remain central to UDG's organizational goals. By leveraging previous LIHTC development experience, and existing relationships with lenders, investors, state agencies and housing authorities nationwide, UDG hopes to continue to play an active role in addressing the need for affordable housing across the country.

Project Narrative & Scope:



The new affordable housing development will be located on approximately 2.81-acres of land located in Downtown Reno. The Subject Property is currently owned by the City and has two existing structures that are proposed to be demolished. The Subject Property is located directly north of the Reno Aces Ballpark and adjacent to RTC's 4th Street Station providing residents with direct access to 8 bus routes, accessing all regional destinations in the Reno metro area.



The Proposed Project calls for the construction of a total of 136 affordable housing units, which equates to a density of approximately 48 units per acre across the +/- 2.81-acre Subject Property. The total number of units buildable will need to be validated by the design team during due diligence efforts. Units of the Proposed Project are to be set aside at an overall income average of 60% of the AMI with 10 units at or below 30% AMI, 16 units at 70% AMI and the remainder of units (110) set aside at 60% AMI.

PRO FORMA					
Bedrooms	Bathrooms	AMI % / Type	Mix %	Units	2024 Gross LIHTC Max
1.0	1.0	70%	1%	2	\$ 1,329
2.0	2.0	70%	4%	5	1,594
3.0	2.0	70%	6%	8	1,841
4.0	2.0	70%	1%	1	2,054
1.0	1.0	60%	19%	26	\$ 1,139
2.0	2.0	60%	40%	55	1,366
3.0	2.0	60%	18%	25	1,578
4.0	2.0	60%	3%	4	1,761
1.0	1.0	30%	1%	2	\$ 569
2.0	2.0	30%	4%	5	683
3.0	2.0	30%	1%	2	789
4.0	2.0	30%	1%	1	880
Total / Weighted Avg			100%	136	

The new community proposed by UDG is expected to consist of a single, five (5) story, garden style multifamily building. The building is expected to be constructed with wood framing, and residential units within the community are expected to be serviced via elevator. The architectural vision for the project is rooted in three key influences: protection from the desert sun, the allure of the Old West, and the timeless appeal of modern design. Additionally, UDG plans to design the project to fit seamlessly into the existing 4th street / brewery district. In addition to the residential units, the new proposed community will feature several common area amenities constructed for the benefit of future residents. The property is expected to feature a furnished clubroom, on-site management leasing offices, outdoor green space and seating pavilion, a rooftop amenity deck overlooking downtown Reno, and surface parking at a 1:1 parking ratio. The Proposed Project will also feature multiple safety systems, including a controlled access system, a camera monitoring system, ample site lighting, fencing and security patrols.

Residential apartment units will be constructed with spacious floor plans, numerous interior amenities, and high-quality finishes to deliver the best possible living experience to future residents. Interior unit amenities will include in-unit washers and dryers, stainless steel appliances, hard stone countertops, walk-in closets, luxury vinyl-plank flooring, dishwashers, ceiling fans, and central heat & air conditioning. In addition to the common area and unit amenity features, UDG is proposing to include a +/- 2000 SF space dedicated to a local non-profit organization active in the community. UDG has already preliminarily identified a potential partner as the Community Services Agency of Reno ("CSA") and has had initial conversations with the organization regarding different programming options that would best fit the community.

Lastly, the Proposed Project will also incorporate several green building elements, to reduce the energy consumption of the property over the long term, and thus reduce the carbon footprint of the community. Specifically, the Proposed Project will feature a solar energy system installed on the roof of the residential



building, which will assist in offsetting the electricity consumption at the property for the benefit of residents. In addition, the property will be constructed in conformance with Enterprise Green Communities and Energy Star design standards.

Project Financing:

The financing plan for the Proposed Project includes (1) Equity proceeds generated by the sale of 4% Federal Low-Income Housing Tax Credits, (2) Tax-Exempt first mortgage financing, (3) a JPM Enhanced Direct Placement permanent first mortgage, (4) a seller note from the City of Reno and (5) a subordinate Growing Affordable Housing Program (GAHP) loan from the Nevada Housing Division, and (6) deferral of \$4,871,164 of the total developer fee owed to UDG as the developer of the project. Additionally, it is important to note that the project will require private activity bond cap in the amount of \$26.2 million which UDG expects to source from both the City of Reno and the Nevada Housing Division. The Nevada Housing Division has indicated that affordable housing developments which have received a commitment of tax-exempt bond volume cap in any amount from the local jurisdiction in which the project is located will be prioritized for approval at the state level. As such, an award of even a small token amount of tax-exempt bonds from the City of Reno will help to ensure the success of the new proposed affordable housing community on Record Street.

In addition to these funding sources, UDG will seek to apply for sewer connection and impact fee waivers from the City of Reno which is outlined in Reno's Code of Ordinances Chapter 1.08. Additionally, per State of Nevada law (NRS 361.082) the property will qualify for a property tax exemption.

Sources & Uses of Funds - 4% LIHTC		
Sources of Funds:	Total	Per Unit
Federal Tax Credit Equity	\$ 20,744,352	\$ 152,532
Developer Equity	100	1
GAHP Loan - Nevada Housing Division	3,000,000	22,059
Seller Note - City of Reno	2,775,000	20,404
Senior Debt - Permanent First Mortgage	18,945,693	139,307
Deferred Developer Fee	4,871,164	35,817
Total Sources of Funds	\$ 50,336,309	\$ 370,120
Uses of Funds:	PERMANENT	PERMANENT
	Total	Per Unit
Land Acquisition	\$ 3,375,000	\$ 24,816
Construction Hard Costs	34,397,566	252,923
Impact Fees	474,546	3,489
Architecture & Engineering Fees	1,367,500	10,055
Tax Credit Fees	290,990	2,140
TEB Costs of Issuance	371,142	2,729
Construction Financing Costs	2,467,146	18,141
Permanent Financing Costs	506,821	3,727
Reserves & Escrows	817,385	6,010
Soft Cost Contingency	150,000	1,103
Developer Fee	6,118,214	44,987
Total Uses of Funds	\$ 50,336,309	\$ 370,120

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RENO, NEVADA, TO BE PROVIDED TO THE DIRECTOR OF THE NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY, SUPPORTING THE AFFORDABLE HOUSING DEVELOPMENT PROJECT TO BE LOCATED AT 315-335 RECORD STREET IN RENO (THE DEVELOPMENT OF 136 AFFORDABLE HOUSING UNITS LOCATED AT 315-335 RECORD STREET) AND PROVIDING OTHER DETAILS IN CONNECTION THEREWITH.

WHEREAS, Section 146 of the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), imposes an annual dollar limit (the “State Ceiling”) on the amount of private activity bonds (which, as defined herein, would include “Bonds”) which can be issued in each State, the interest on which is exempt from federal income taxes, and provides that each state may determine the method by which its State Ceiling for each year is to be allocated among the issues of the state; and,

WHEREAS, under the provisions of Chapter 348A of the Nevada Revised Statutes, as amended (the “Allocation Act”), and Regulations thereunder adopted by the Director of the Department of Business and Industry (the “Director”) in NAC Chapter 348A (the “Allocation Regulations”), Nevada’s Volume Cap is allocated between the Director and local governments; and,

WHEREAS, in accordance with the Nevada Administrative Code (NAC 319.7115), the State can issue 100 percent of the tax-exempt bonds for a housing project if the Director receives from the local government a letter indicating support of a project and the State has sufficient Volume Cap to provide the project; and,

WHEREAS, Ulysses Development Group is seeking approximately \$26.2 million in tax- exempt bonds to finance the development of an affordable housing project in Reno, and is requesting that the City provide the Director a letter of support from the Governing Body for the purpose of contributing to financing the development of 315-335 Record Street, which will provide decent, safe and sanitary dwellings, with an average of all units committed to persons earning 60% or less of the AMI; and,

WHEREAS, Ulysses Development Group is also requesting that the Director fully- allocate \$26.2 million in tax-exempt bonds needed for this project; and,

WHEREAS, Section 348A.040 of the Nevada Revised Statutes authorizes the Director to adopt regulations to facilitate the use of the Volume Cap; and,

WHEREAS, the Director has adopted such regulations and through Section 348A.220 of the Allocation Regulations provides a procedure whereby the City may, by resolution, transfer all or any portion of its Volume Cap to the Director to induce the Director to provide financing to a project which will provide a public benefit to the citizens of the City of Reno; and,

WHEREAS, State of Nevada Department of Business and Industry (the Department) is a recognized government eligible to provide the services and pursuant to NRS 315.983(1)(a); and,

WHEREAS, the City anticipates that it will incur no cost or liability in connection with the issuance of the Bonds; and,

WHEREAS, this Council has determined that there is a need for affordable rental housing in the City (such as those proposed to be provided by Ulysses Development Group), and low-income residents of the City will benefit from the development of this property.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Reno, Nevada, as follows:

Section 1. Declaration of Support. The City of Reno, Nevada hereby declares the City's support for the project to be located at 315-335 Record Street, Reno, the development of 136 affordable housing units for low-income residents.

Section 2. Public Benefit. This Council determines that the City of Reno, Nevada, will benefit from the financing through increased availability of funds for barrier-free and affordable multi-family rental housing within the City.

Section 3. Fees. The project sponsor shall pay all fees, in accordance with NAC 348A.300.

Section 4. City Representative. Any communication with the City regarding this matter should be with Elaine E. Wiseman, Housing and Neighborhood Development, by phone at 775-334-2578 or e-mail at wisemane@reno.gov. Correspondence by United States Postal Service should be mailed to P.O. Box 1900, Reno, Nevada 89505.

Section 5. Filing. The City Clerk is hereby directed to deliver to the Director and to the secretary of the State Board of Finance a certified copy of this resolution and any other report, accounting, or document necessary within five days after the adoption of this resolution.

Section 6. General Provisions. The officers of the City are hereby authorized and directed to take all action necessary to effectuate the provision of this resolution. The provisions of this resolution shall be liberally construed to effectively carry out its purposes. This Resolution shall be in full force and effect forthwith after its adoption. If any provision in this resolution is deemed void, invalid, or unenforceable by a court of competent jurisdiction, then such offending provision shall be deemed, from the very beginning to be modified to bring it within the limits of validity, but if it cannot be so modified, then it shall be severed from this resolution and all of the remaining provisions shall remain in full force and effect.

Upon motion by Council Member _____, and seconded by Council Member

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_____, the foregoing Resolution was passed and adopted this _____ day of

_____, 2024 by the following vote of the Council:

AYES:

NAYS:

ABSTAIN: ABSENT:

APPROVED this _____day of _____, 2024.

MAYOR

HILLARY L. SCHIEVE

ATTEST:

Mikki Huntsman
CITY CLERK