

B.12 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.

STAFF REPORT

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

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

RESOLUTION NO. _____

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.

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 the 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 Regulation"), Nevada's Volume Cap is allocated between the Director and local governments; and,

WHEREAS, in accordance with the provision of the Allocation Act and Allocation Regulations, the Director has determined that the City's share of the State Ceiling (hereafter referred to as "Volume Cap") for 2024 is approximately \$17,090,650, none of which has already been used by the City; and,

WHEREAS, Arrowleaf, LP needs \$30 million in volume cap for its project and has requested that the City transfer all its 2024 Volume Cap to the State of Nevada Department of Business and Industry for the purpose of contributing to financing the development of Arrowleaf on Harvard that will provide decent, safe and sanitary dwellings, with all the units committed to persons of low income and at affordable rents; 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 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 desires to transfer all of its 2024 Volume Cap allocation to the Department for assistance to develop Arrowleaf on Harvard; 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 provided by the development of Arrowleaf on Harvard), and low-income residents of the City will benefit from the Arrowleaf on Harvard Apartments;

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

Section 1. Transfer. The City of Reno, Nevada hereby transfers all its 2024 Volume Cap allotment to the Director of the Department of Business and Industry with the understanding that the Director will utilize to contribute to the issuance of private activity bonds for the following project:

Amount	Project
All of the City of Reno's 2024 Volume Cap allocation*	Arrowleaf on Harvard, a proposed development of 168 affordable units for low-income residents, located on the east and west sides of Harvard Way, north of Vassar St., Reno, NV.
*Applicant needs \$30 million in Volume Cap and has requested the City transfer all of its Volume Cap to the Director and requests that the Director augment from State's allocation the remainder. If sufficient Volume Cap is not available for the Project, the Director is requested to confer with the City for other allocations.	

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 NAC348A.300.

Section 4. City Representative. Any communication with the City regarding this matter should be with Monica Cochran, Housing and Neighborhood Development, by email at cochranm@reno.gov. Correspondence by United States Postal Service should be mailed to PO 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 to accomplish this transfer within five days after the adoption of this resolution.

Section 6. Authority of the City Manager or Assistant Manager. Without any further action by this Council, the City Manager or any Assistant City Manager is authorized and directed (i) to enter into any project agreement regarding the transfer and use of this City's Volume Cap, pre-financing conditions and rights and obligations of the City and developer of the project; (ii) to approve any changes to the project name, description of financing arrangements and any project agreements entered into between the City and project owners to reflect changes in the project as it qualifies for financing; and (iii) to make any certifications or representations and enter into any agreements necessary to complete, document, account for and effectuate this transfer.

Section 7. 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 _____, 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 _____, 2023.

HILLARY L. SCHIEVE

MAYOR

ATTEST:

MIKKI HUNTSMAN

CITY CLERK