

Item # 11A

**City of Carson City
Agenda Report**

Date Submitted: Nov. 27, 2007

Agenda Date Requested: Dec. 6, 2007

To: Redevelopment Authority

Time Requested: 30 minutes

From: Joe McCarthy, Office of Business Development

Subject Title: Action to approve the revised redevelopment programs, procedures and application formats to assist businesses and development projects aimed at revitalizing both our redevelopment project areas.

Staff Summary: The Redevelopment Authority has requested that staff provide for discussion and approval drafts of possible criteria, programs and formal applications as they relate to future redevelopment opportunities. The emergence of new public-private commercial development and investment opportunities in our redevelopment project areas are attracting viable applicants for qualified redevelopment assistance. As part of a thorough application process, these applicants must demonstrate to the Redevelopment Authority that the private sector on its own would not be able to carry out the project in question. In addition, the redevelopment project must comply with the Redevelopment Authority's procedures and criteria that to ensure the public benefit and the financial strength of the applicant. The methods to assist with redevelopment may include land write-downs, lease subsidies, public improvements, tenant improvements, pre-development costs, grants and loans.

Type of Action Requested: (check one)
 Resolution Ordinance
 Formal Action/Motion Other (Specify) - None

Does This Action Require A Business Impact Statement: Yes No

Recommended Board Action: I move to approve the revised redevelopment programs, procedures and application formats to assist businesses and development projects aimed at revitalizing both our redevelopment project areas.

Explanation for Recommended Board Action: Nevada Revised Statutes Chapter 279 governs the use of redevelopment as a catalyst for sustainable growth and new jobs. The use of redevelopment to stimulate commercial revitalization is specifically a transaction process presided over by negotiated agreements that require specific criteria coupled with flexibility and long-term planning. Redevelopment initiatives leverage the community's resources to maintain services, attract new business and retain existing businesses. These revised programs, procedures and applications will allow the RDA to launch new private sector investment that otherwise would not occur.

Applicable Statue, Code, Policy, Rule or Regulation: NRS 279

Fiscal Impact: n/a

Explanation of Impact: n/a

Funding Source: n/a

Alternatives: n/a

Supporting Material: Draft applications, criteria, programs and procedures

Prepared By: Joe McCarthy

Reviewed By: Joe McCarthy Date: 11-27-07
(Department Head)

[Signature] Date: 11-27-07
(City Manager)

Melanie Burkotta Date: 11-27-07
(District Attorney)

[Signature] Date: 11-27-07
(Finance Director)

Board Action Taken:

Motion: _____ 1) _____ Aye/Nay
2) _____ _____

(Vote Recorded By)



Office of Business Development

201 North Carson Street, Suite 2
Carson City, Nevada 89701

December 6, 2007

To: Carson City Redevelopment Authority
From: The Office of Business Development
Subject: Draft Samples of Criteria, Programs, Procedures and Application Formats

The Redevelopment Authority has requested that staff provide for discussion and approval criteria, programs and formal applications as they relate to future redevelopment opportunities. The emergence of new public-private commercial development and investment opportunities in our redevelopment project areas is attracting viable applicants for qualified redevelopment assistance. As part of a thorough application process, these applicants must demonstrate to the Redevelopment Authority that the private sector on its own would not be able to carry out the project in question. In addition, the redevelopment project must comply with the Redevelopment Authority's procedures and criteria to ensure public benefit and applicant financial strength. The methods to assist with redevelopment may include land write-downs, lease subsidies, public improvements, tenant improvements, pre-development costs, grants and loans.

The goal of redevelopment is to assist the business community with projects aimed at revitalizing both our downtown and our commercial corridors. The use of redevelopment continues to evolve, as our community remains active in identifying and addressing deteriorated or blighted properties in need of revitalization. Staff proposes that applicants for redevelopment assistance for all public-private partnership projects must demonstrate the following:

Criteria

1. Private sector on its own will not do the project
2. The "but-for" principle has been met—filling the gap
3. The public benefit assessment has been supported
4. Meets or exceeds the goals and policies as provided for in the City's Master Plan, *Envision Carson City*, and if applicable, the design-oriented standards and guidelines as they apply to Carson City Downtown Mixed-Use Zoning District. The new Downtown Code provides specificity on criteria that emphasizes a form-based approach to design and development standards and a market-driven approach to uses in the built environment.
5. A thorough analysis by staff has been completed and a staff report written
6. The financial gap that the RDA is being asked to fill has been delineated
7. The most efficient manner to fill that gap has been achieved

Procedures

- Redevelopment is a transactional process and is not primarily governed by rules and/or regulations.
- If redevelopment funds are requested, the applicant must demonstrate a need:
 - a. In the form of an internal rate of return (IRR) and/or return on investment (ROI)
 - b. That justifies excessive costs of development and no other reasonable means of financing is available.
- Individual projects are governed by negotiated agreements. Negotiating agreements can be a dynamic, long-term process with a need for flexibility.
- The legal authority and the Redevelopment Plan are documents intended to prevent speculation and provide taxpayer protections.
- The methods of assisting development include land write-downs, lease subsidies, public improvements, tenant improvements, pre-development costs, grants and loans to fill the gap in the pro forma.
- For public-private partnership projects:
 - Smaller projects – application process – 30-60 days
 - Redevelopment Incentive Program as defined by resolution
 - Rent subsidy, loan-to-grant program (new)
 - Larger, complex public-private projects - negotiation period – 120- days
 - Realistic expectations
 - Community buy-in
 - Strength of development opportunity - market economics
 - Staff know-how, outside consultants
 - Lead negotiator
 - Legal
 - Financial and market
 - Deal points are fluid until agreement is reached
 - Cap on RDA exposure
 - Performance milestones for complex projects
 - Preparation work
 - Phase I & II
 - Feasibility study
 - Market demand analysis
 - Studies
 - Key tenant commitments
 - Interim agreements that avoid renegotiations, with ground rules for change, if necessary
 - Ability to finance

- Impact of special financing:
 - Tax exempt financing
 - tax credits
- Scope of development

Successful Public-Private Partnerships must have the following elements

1. Preparation, credibility, trust and leadership that leads to success
2. Shared vision
3. Partners and key players that have full buy-in
4. An understanding of the risks and rewards for all parties
5. Rational decision making process
6. Consistent and coordinated leadership by both the public and private partners
7. Building trust through open and on-going communication
8. The private partner needs to limit unnecessary elected official contact during negotiations
9. Individual elected officials are encouraged to actively participate, as part of the negotiating team
10. The elected body is responsible for overall public policy and is the ultimate arbiter on all proposed public-private partnerships.
11. Negotiate a fair deal for the community and the developer/applicant

Application Formats

Smaller Redevelopment Programs

1. Redevelopment Incentive Program

- a. Grants program up to 20 percent of total project costs not to exceed \$100,000
- b. Declining lien of seven years
- c. Other incentives: creation of a business improvement district, tax increment financing, and various other redevelopment tools to leverage private financing of projects

2. Rent Subsidy, Loan -to-Grant Program (new)

- a. Business owner/operator
- b. A signed leased for a minimum of three years, with two, one-year extensions
- c. An assessment performed by the Small Business Development Center (SBDC) to evaluate the applicant's business plan, financial statements, tax returns, financial projections, market studies, legal structure documents and so forth. The SBDC will confirm that the subsidy will ensure that the operation is retaining sufficient working capital to provide a reasonable chance for long-term business success.
- d. May receive up to 25 percent of the annual rent for an 18-month period in the form of a loan-to-grant, provided the program's specific conditions are met.

- e. The "loan terms" of the agreement will define collateral, conditions, deferred interest, loan amortization schedule, security and the funds disbursement schedule.
- f. At the end of the seventh year of continuous operation, the loan is forgiven and it becomes a grant.

Larger Public-Private Partnership Projects

- a. Name, addresses, contact phone numbers and qualifications of the Project Development Team
- b. Project title
- c. Project address
- d. Confidentiality agreement among the negotiating parties
- e. Fully describe the project and the proposed improvements by addressing the following:
 - i. Attach site plan, renderings, and/or elevations as developed by licensed design professionals with:
 - ii. Site coverage
 - iii. Number of floors
 - iv. Square footage of each floor and proposed use, e.g. office, retail, restaurant, lodging, residential, art gallery space and so forth
 - v. Concept elevation
 - vi. Development schedule
 - vii. Narrative that explains how the project complements the RACC's rating criteria for Downtown revitalization, the Downtown Redevelopment Plan, Downtown Investment Strategy and the Downtown Mixed Use Code & Development Standards
 - viii. Breakdown of the sources of funds that includes borrowed funds as well as equity, included contributed assets such as real property
 - ix. If redevelopment funds in excess of \$100,000 are requested, NRS 279.500 states that the prevailing wage rate as determined by the Labor Commission of the State of Nevada must be paid on all construction. This must be factored into the estimated costs of construction.
 - x. Pro forma financial analysis will include an examination of the development budget, cash flow estimates and the overall financing plan

Describe the extent to which the existing building or on-site improvements are substantially dilapidated and blighted. NRS 279 defines blight and governs the use of redevelopment as a catalyst to stimulate investment in properties that otherwise would not be redevelopment, "but-for" a public partner.

- a. Attach any approvals, as required
- b. Is property insured? Yes No
- c. Attach evidence of property and casualty insurance on subject property

Restate the project in terms of the economics essential to the negotiation of this public-private partnership. With the use of a detailed analysis of the pro forma, why is there a gap?

- o Land plus cost – value
- o Incentives to attract tenants – rent vs. cost
- o Risk assessment

How was the development budget derived?

- o Acquisition
- o Site and infrastructure improvements
- o Construction costs
- o Soft costs
- o Overhead
- o Financing costs

How was the revenue and operating income derived?

Explain the supported investment and the gap by detailing the:

- o ROI
- o IRR
- o Return on equity
- o Capitalization Rate
- o Gap – when the value of the project is less than the cost of the project allowing for entrepreneurial profit (spread)

List of attachments:

- Financials
- Partnership agreement (if partnership)
- Experience Statement
- Recorded deed of property
- Other _____
- Construction contract or breakdown of estimated costs;
- Plans, specs & site plan (if construction)