

CARSON CITY REDEVELOPMENT AUTHORITY
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A meeting of the Carson City Redevelopment Authority was held during the regularly scheduled meeting of the Carson City Board of Supervisors on Thursday, November 15, 2008, at the Community Center Sierra Room, 851 East William Street, Carson City, Nevada, which began at 8:30 a.m.

PRESENT: Chairperson Robin Williamson and Members Marv Teixeira, Shelly Aldean, Pete Livermore, and Richard S. Staub

STAFF PRESENT: City Manager Linda Ritter, Clerk-Recorder Alan Glover, City Engineer/Development Services Director Larry Werner, Human Resources Director Ann Silver, Parks and Recreation Director Roger Moellendorf, Public Works Director Andrew Burnham, Redevelopment/Economic Development Manager Joe McCarthy, Chief Deputy District Attorney Melanie Bruketta, Parks Planner Vern Krahn, and Recording Secretary Katherine McLaughlin (BOS. 11/15/07 Tape 10:08:05)

NOTE: Unless otherwise indicated, each item was introduced by staff's reading/outlining/clarifying the Agenda Report and/or supporting documentation. Staff members making the introduction and any other individuals who spoke are listed immediately following the item heading. A recording of these proceedings is available for review and inspection during normal business hours.

Mayor Teixeira recessed the Board of Supervisors session and passed the gavel to Redevelopment Authority Chairperson Williamson. Chairperson Williamson convened the meeting by indicating for the record that the entire Authority was present, constituting a quorum. (See Board of Supervisors Minutes for this date for discussion/action on the other Agenda items.)

ACTION ON APPROVAL OF MINUTES (10:08:20) - None.

ACTION TO APPROVE THE OWNER PARTICIPATION AGREEMENT WITH CITY MANAGEMENT SERVICES, OWNER ROBERT ROTHE, DOING BUSINESS AS CARSON SOUTHGATE, LLC, TO PROVIDE FINANCIAL ASSISTANCE, ON A REIMBURSEMENT BASIS ONLY, FOR THE REHABILITATION OF THE VACANT, BLIGHTED FORMER WALMART BUILDING IN THE SOUTHGATE SHOPPING CENTER TO ALLOW FOR THE OCCUPANCY OF A 55,000 SQUARE-FOOT, NATIONALLY-RECOGNIZED SPORTING GOODS STORE (10:08:50) - Economic Development Manager Joe McCarthy, Grand Central Pizza Owner Richard Finn, Robert Rothe, Jim Shirk, Bruce Kittess, Gil Yanuck - Member Aldean, "for obvious reasons", excused herself from the meeting. She will return after the decision has been made regarding this item. She then left the room. (A quorum was still present.) Mr. McCarthy's introduction included a summary of previous Authority direction regarding the agreement and a summary of the agreement's terms. He also advised that JC Penney's Representative John Ruppert had been present earlier. Mr. Ruppert allegedly had talked with his corporate officers and PR people. They purportedly support the effort. They are knowledgeable about other cities who have offered this type of incentive for rehabilitation of aging buildings. They are very concerned about having a bulk discounter come into the center. Mr. McCarthy also indicated that there are other individuals present who support the proposal. Discussion

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advised that the agreement requires the tenant to pay a base of \$300,000 per year in sales tax before the \$180,000 will be returned. The tenant hopes to gross between \$25 and \$28 million a year for a year of operation. These figures are felt to be conservative based on the regional and national productivity of the proposed tenant's 130 nationwide stores in comparable communities. It was hoped that the culmination of this effort will provide two good stores doing a booming business by midsummer or next fall. Mr. Rothe's investment in the center will be in \$16.5 million "over the long haul". His rent will be approximately \$1 million per year. Without Redevelopment's assistance, the project would not go forward. This standard is required to be found in order to obtain Redevelopment's assistance. Chairperson Williamson summarized the agreement as being a revenue sharing agreement over a 15-year period of projected sales tax revenue that is based on the actual number of sales generated. Mr. McCarthy reiterated that the tenant must make a minimum tax payment of \$300,000 per year before the \$180,000 reimbursement is triggered. Carson City does not have any cash outlay on its part. The agreement provides Carson City with an opportunity to create new sales tax dollars and for Mr. Rothe to obtain a quality tenant.

Mr. Finn felt that obtaining the two new tenants was important to the shopping center and his business. They will help grow the business at the center. The current tenants have had their fingers crossed hoping this effort would be successful. It can only increase the revenue for the other businesses and the City.

Chairperson Williamson advised that the Authority had received a letter from Brad Bunkowski and Andy Wilson which had been in the newspaper. They are adjacent property owners and support the proposal. Additional comments were solicited. Member Staub solicited comments from Mr. Rothe.

Mr. Rothe explained his and Mr. McCarthy's efforts to attract a top tier, high revenue based tenants who have a choice in where they locate and can rejuvenate the shopping center which created the need for the financial assistance package. It is possible to obtain lessor quality tenants without the tax benefits. The Burlington Coat Factory has committed and there is a strong co-anchor opportunity. He believed that the two tenants will create a lot of synergy that will bring customers from the surrounding area to Carson City for shopping. This should help the City's marketplace. He believed that he will have the signed documents within the next six weeks. Discussion explained the building's rejuvenation/replacement required for the second tenant. Mr. Rothe indicated that this tenant was originally "headed south", however, his/her interest has been peaked but he/she will not move without the incentive. Additional public comments were solicited.

Mr. Shirk advised that he understood the concept in getting businesses to locate here. He could support providing a tax rebate so long as his taxes are not increased to pay their taxes. He believed that a business should be able to survive without tax incentives. The City is not helping him with his taxes. The Authority should consider the citizens and not raise their taxes in the next 15 years. He urged the Authority to maintain his tax base so he could vote for the Members again. Chairperson Williamson explained that the property tax increase is due to an increase in the assessed value. The proposal is an effort to keep the service levels at the same level without an increase in fees and ad valorem rates. Discussion explained the "go dark" clause which requires repayment of the incentives if the store closes.

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Member Staub felt that Mr. Shirk had made a good point. City government depends on revenue from the property taxes and sales taxes. The Legislature capped the property tax. The City is dependent upon sales tax revenue for community services. The sales tax revenue fluctuates. The proposal is an effort to bring in new business and keep the businesses that are here now. Competition for business from the south is forcing the City to consider incentives to get and keep businesses. The proposed incentive(s) has gotten the interested business to reconsider Carson City and not go south. The business will produce sales tax revenue which the City needs. Mr. Shirk indicated that he understood but was concerned as the State has a \$282 million deficit even though Carson City must have a positive cash flow picture in order return the funds. He repeated his hope that the City can do it without increasing his tax base. Member Livermore pointed out that Mr. Shirk expects to keep the City's current service level. The only way that can be done is have an additional revenue source. The sales taxes allow this to occur. There is no guarantee that the taxes will not increase over time but the concept is to maintain the current service level as needed by the residents including Mr. Shirk. Additional comments were solicited.

Mr. Kittess noted his original opposition to the Burlington Coat Factory contract. The proposed concept, however, is a "no brainer" as it takes money to make money. No retailers want to come to Carson City. The former Wal-Mart building will now be two national businesses. The former K-Mart building also needs to be addressed. The proposal is setting a good precedent for the future. He will support it if it must be done.

Mr. Yanuck urged the Authority to move forward as it is obviously needed. There are obvious benefits which should be recognized, e.g., the filling of empty stores in the shopping center. A nationally known business will attract other businesses to the center and create additional sales tax revenue. It is a win-win for both parties. He also approved the "catch up" provision. He hoped that similar incentives will be offered for the northern part of the City. Additional comments were solicited.

Mr. Kittess pointed out that not just the City but the State and School District will benefit from the increased sales tax revenue. He also preferred to get money and give some back rather than provide a \$2 million incentive up-front as had been provided in the Burlington Coat Factory agreement.

Member Teixeira supported Mr. Kittess' comments. He preferred the second agreement as it is "back end loaded". They produce and can recoup the investment. The need to reconstruct the building was discussed by Mr. Rothe and Member Teixeira. Mr. Rothe will front the money for the structure improvements. If the tenant fails to produce, repayment does not occur. Mr. Rothe was confident both tenants will be successful. Member Teixeira suggested that the Burlington Coat Factory agreement be reconsidered and structured similarly to this agreement. Mr. Rothe felt that a failure to produce may require repayment by the tenant under both agreements. Future expansion of the building can only go toward the east or the back and would be restricted due to the amount of parking needed. If the agreement is not signed by the proposed tenant, Mr. Rothe felt certain that another tenant would not generate the desired cash flow. Potential clients were noted. The incentive is needed to generate the desired synergy and expand the sales tax revenue created by a quality tenant. The status of the building permit was then explained. The opening for the tenant who will be receiving the tax incentive is scheduled for August. Mr. Rothe hoped

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to have a commitment from this tenant by the end of December, however, the holidays may delay the signing. As Redevelopment funds are being used, they will be paying prevailing wage and using local contractors. Discussion also noted that the length of the agreement had made the 80/20 coverage possible and reiterated that the Burlington Coat Factory “deal” had made this project possible.

Mr. McCarthy explained the need to revise the motion as the owner participation agreement is actually an operating covenant and agreement. Member Livermore then moved to approve the operating covenant agreement with City Management Services, owner Robert Rothe, doing business as Carson Southgate, LLC, to provide financial assistance on a reimbursement basis only for the rehabilitation of the vacant, blighted former Wal-Mart building in the Southgate Shopping Center to allow for the occupancy of a 55,000 square foot, nationally recognized sporting goods store. Member Staub seconded the motion. Clarification indicated an amendment should be made to motion. Member Livermore amended his motion to be for an operating covenant and agreement. Member Staub concurred. The motion was voted by roll call with the following result: Member Livermore - Yes, and with a comment that one of the things in the three elections I have had is the source of revenue which is how we provide services to the community and everyone has always continued to insist on Carson City being a low property tax rate community, and that is where we are, in fact, when the cap was placed by the Legislature on Carson City, it was one of the lowest Counties in the State of Nevada, because of that it is our effort now to continue to work toward economical development toward the incentives of allowing sales tax and the expenditure of people’s monies throughout not only our community but our neighboring community and the region, and that’s the issue we need to look forward as we go forth in providing services and paying respectful wages and employing the right types of people to provide those services and that’s the meaning of my vote today; Member Staub - Yes, and I will also state as I have stated earlier that this was a huge stretch for me in—, the reason being that I felt that in my negotiations with some of the auto dealers that we needed fairness and equity in the incentive packages that we provide and this incentive package in its originality was, in my opinion, was not equitable with some of the negotiations I have had with some of our auto dealers but it is now virtually identical to what has been offered to the auto dealers and I commend you, Mr. Rothe, in working with us and negotiating an agreement that the City can live with and go forward with and will not impair or impinge our negotiations with our auto dealers, it is the same package, thank you very much; Chairperson Williamson - Yes; and Member Teixeira - Before I vote, this is, this is a no brainer package, the only thing that kind of upsets me, is that the process we used going down the line, you know, we come in here and we are told to put \$2 million into Burlington, but it was more than putting \$2 million into Burlington, it was reviving a dead, ugly sore, you know, on our, on our landscape and to drive revenue, and that was a hard one for me, cause that was the first time in my going on 12 years of service as Mayor where you gave up that up-front money, but we did do it with the Campagni deal, I just followed the lead of this Board, I have been working for years, and then came the second piece, which means you are going to have to incent again, even though these are two separate entities, but one brings the other in tune, before I came to this meeting this morning, all I had to do was read the *Nevada Appeal* and know that my vote was, you know, nonconsequential, I am going to vote No only to send a signal, not to you Mr. Rothe, but that in the future, I don’t like to set here and barter, I want the best deal first time, we make the Planning Commission, we don’t take stuff from the Planning Commission on a second piece, we will give them one deal, and we will give the Board another, in the future we will have set a criteria that this is, you will know

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front end Joe, how far you can stretch, how far you can stretch the Board, you know what I am talking about because you and I disagreed during your last meeting, so just to be consistent with that I will vote - No but the project goes forward. The motion passed 3-1-1 with Member Teixeira voting Naye and Member Aldean Absent. Chairperson Williamson thanked the participants and looked forward to seeing them at the ribbon cutting ceremony next fall.

There being no other matters for consideration by the Redevelopment Authority, Chairperson Williamson adjourned the Redevelopment Authority.

The Minutes of the November 15, 2007, Carson City Redevelopment Authority meeting

ARE SO APPROVED ON April 17, 2008.

/s/
Robin Williamson, Chairperson

ATTEST:

/s/
Alan Glover, Clerk-Recorder