

CARSON CITY REDEVELOPMENT AUTHORITY
Minutes of the April 18, 1996, Meeting
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A meeting of the Redevelopment Authority was held during the regularly scheduled Carson City Board of Supervisors April 18, 1996, meeting held at the Community Center Sierra Room, 851 East William Street, Carson City, Nevada, beginning at 1 p.m.

PRESENT: Chairperson Tom Tatro and Members Marv Teixeira, Greg Smith, Janice Ayres, and Kay Bennett

STAFF PRESENT: City Manager John Berkich, Clerk-Recorder Alan Glover, Redevelopment Director Mary Walker, Deputy District Attorney Paul Lipparelli, and Recording Secretary Katherine McLaughlin (B.O.S. 4/18/96 Tape 1-2244.5)

Mayor Teixeira recessed the Board of Supervisors session and passed the gavel to Chairperson Tatro, who immediately convened the Redevelopment Authority. Chairperson Tatro indicated for the record that the entire Authority was present constituting a quorum. (See Board of Supervisors Minutes of April 18, 1996, for discussion/action on the other Agenda items.)

A. ACTION ON APPROVAL OF MINUTES - December 21, 1995, and March 7, 1996 - Member Bennett moved to approve the Minutes of the March 7th Redevelopment Authority meeting. Member Smith seconded the motion. Motion carried 5-0. The December 21st minutes were held.

B. ACTION ON FINAL DESIGN OF THE CARSON STREET BEAUTIFICATION PROJECT (1-2275.5) - Ms. Walker, Mark Palmer of Palmer Engineering, and Vern Krahn of Cathexes reviewed the final design in depth. Ms. Walker also explained the maintenance and staffing needs. This issue will be considered during the normal budget process. Discussion explained the location of the fencing, the species of trees which will be used in the landscaping, the team efforts, and the construction timeframe. The project will be constructed at night whenever possible and is to be completed by Nevada Day. Member Bennett commended them on their efforts. Member Bennett moved that the Redevelopment Authority approve the Final Design of the Carson Street Beautification Project as presented and direct staff to proceed with bidding phase of project, fiscal impact is \$1.4 million, and the funding source is the Redevelopment Authority Budget and the State of Nevada. Member Ayres seconded the motion. Motion carried 5-0. Ms. Walker commended Mr. Palmer and Mr. Krahn on their work.

C. ACTION ON CARSON CITY REDEVELOPMENT AUTHORITY RESOLUTION ESTABLISHING PUBLIC PURPOSE TO REDEVELOP AND REHABILITATE PROPERTY AT 716 NORTH CARSON STREET, COMMONLY KNOWN AS THE GOLDEN SPIKE AND AUTHORIZING REDEVELOPMENT STAFF TO SOLICIT PROPOSALS FOR THE REDEVELOPMENT OF THAT PROPERTY (1-2728.5) - Ms. Walker explained that the request would not condemn the building. It would only authorize staff to seek proposals. A private developer has submitted a proposal on this property. Based on this proposal she requested the Authority take no action on this request at this time. The property owners have been meeting with staff regularly, are very cooperative and very concerned about the property. If the proposal fails, the property owner has an alternative proposal for its improvement. Discussion between Ms. Walker and the Authority indicated the property owner had not requested the item be pulled. The potential developer had made the request. Ms. Walker felt that the proposal should be completed by May 16th. Based on this statement, Mr. Lipparelli felt that it was not necessary for the Authority to act on the request. Public comments were solicited as well as other comments from the Authority but none were made. Chairperson Tatro ruled the item tabled indefinitely.

C. ACTION ON CARSON CITY REDEVELOPMENT AUTHORITY RESOLUTION ESTABLISHING PUBLIC PURPOSE TO REDEVELOP AND REHABILITATE PROPERTY AT 302 NORTH CARSON, COMMONLY KNOWN AS THE LUCKY SPUR AND AUTHORIZING REDEVELOPMENT STAFF TO SOLICIT PROPOSALS FOR THE REDEVELOPMENT OF THAT PROPERTY (1-2852.5) - Ms. Walker explained her efforts to rehabilitate the area without using condemnation and destroying the buildings. Other rehabilitation programs had been utilized to improve the area. The results of these programs were briefly noted. Even though there had purportedly been several potential offers discussed on this facility, which had included these programs, none had been consummated. Ms. Walker then explained the Reno Gazette Journal's story on the five

eyesores in Carson City, the Carson City Redevelopment Survey, and the comments made during the public hearings on the Downtown Beautification Plan. Comments from the survey and hearings were read into the record. All urged that something be done with the two vacant buildings in downtown Carson City. Member Ayres indicated her contact with Fire Chief Buckley pointed out that these buildings are becoming a fire hazard in addition to their ugliness and the economic blight they caused the surrounding neighborhood. Ms. Walker explained that the Redevelopment Plan had included the intent to eliminate blight and improve the economic conditions as well as address the quality of life issues. On October 5th the Board of Supervisors had allocated \$170,000 from the Redevelopment Incentive funding for the Spike and Spur. Staff had been working with Mr. Halyak and Mr. Ornelas to enhance the building and generate interest. These efforts have been unsuccessful to date even though several individuals had attempted to negotiate with them. The request was for direction to staff to solicit proposals for private development. Ms. Walker agreed that the building could be condemned and destroyed with a parking lot constructed on the site, however, she preferred to solicit proposals. Any proposals meeting the Redevelopment Plan and the Downtown Master Plan would be analyzed. If the proposer has the financial wherewithal, he/she would be responsible for all condemnation costs. Redevelopment's \$100,000 commitment would be used for improvements and its powers of eminent domain will be used to acquire the building. Efforts would be made to encourage the property owner to negotiate with the proposer or bring forward a renovation plan. The property would be appraised by a professional. If the property owner is not willing to negotiate or terms cannot be reached, then court proceedings will be used with a judge establishing the building's price. Ms. Walker then introduced Brett Hawkins who is the attorney for the Nevada Redevelopment Association and is with the law firm of McDonald, Pollard, and Allen from Sacramento. Mr. Hawkins knowledge and involvement with Nevada Redevelopment statutes was explained.

(1-3307.5) Mr. Hawkins briefly reviewed the purposes for which Redevelopment condemnation procedures could be used and stressed throughout the explanation the need to be reasonable and fair. Supervisor Smith explained his personal visit to the Lucky Spur and questioned how and what determines when a building is considered a "blight". He agreed that it is a vacant building without a business which drives revenue. He pointed out the changes which Mr. Halyak had made to the building since he acquired it. He questioned whether the precedence would be established indicating the City would not tolerate property speculation and what is considered an acceptable timeframe. Mr. Hawkins responded by explaining that these questions are policy decisions. Experience varies from area to area. Redevelopment takes 30 to 40 years with individual projects taking a long time to complete. Every case/property must be decided upon its own merits. Supervisor Ayres pointed out the number of letters indicating the property is an eyesore. She also suggested that, due to the numerous offers made for the property, that the price could be too high. She questioned the alternatives if the price is too high for anyone to attempt a business venture. Mr. Hawkins indicated this was the reason Redevelopment Statutes had been developed all around the country. This provides an option when the ordinary market is not working and the local community needs to intervene and "kick start" the private market. When and how much governmental assistance/interference is allowed is up to the Board's discretion. The plan requires the City to make a determination that the price requested is unreasonable. This is the reason for having the property appraised prior to undertaking eminent domain procedures. Staff should have adequate documentation in the files indicating the asking price is unreasonable. Member Bennett indicated this would provide defensibility for any actions relating to the "taking" issues which could arise as a result of action taken by the Authority. Mr. Hawkins explained that a price would have to be negotiated between the property owner and proposer or the Authority. If this is not possible, then the District Court will establish the price. He then explained a Nevada Supreme Court ruling on a 1960s eminent domain case wherein the Court ruled that it is constitutional for a Redevelopment Agency to use eminent domain to eliminate blight and acquire property.

Ms. Walker then explained the request for the Authority is to declare a public purpose to redevelop the property. This would direct staff to solicit proposals for the redevelopment of the property under the Redevelopment Plan. She felt that she would have a proposal for consideration by August 1st. She then explained that the Resolution would encourage and inform the property owner of his rights and request his participation in the redevelopment of the property. There would be \$100,000 in Redevelopment funds allocated for the redevelopment of the Lucky Spur. Staff would also be directed to analyze and review any of the proposals received and present them to the Authority.

(2-0063.5) Public testimony was then solicited. George Halyak indicated there had only been 15 negative

statements about his property. Chairperson Tatro indicated the Authority had had an opportunity to see the letters. Mr. Halyak then explained his feeling that the informal survey had also pointed out an unwillingness to spend a lot of money on the downtown area. He also felt that the Supreme Court had overturned a recent condemnation proceeding. The request for consideration by the Authority could create financial consequences for the City. There had been a lot of rumors and defamatory statements made about the property. Staff was already aware of the improvements he had made to the property. There had been many proposals for the property. Many were underfunded and would not provide the highest or best use of the building. There had been an offer two years ago which had been accepted, however, the proposers were unable to consummate the offer. These individuals had recently expressed a desire to reopen the offer. One year ago the property was listed with Michael Ornelas with Prudential Tahoe Incline Realty in Genoa. An expensive marketing campaign was launched. Signs were not placed on the building due to a long standing encroachment problem with the building which is now being resolved. It was not marketed in Carson City. Six months ago City staff contacted him about the building which had resulted in several meetings. Comments made by staff were hurting his marketability. His attorney, Mr. Berkich, and he had met regarding these comments at the building. He felt that Mr. Berkich had agreed that the building was not an eye sore and that the City's major concern was due to the fact that it is vacant. Also, comments had indicated that when Redevelopment's six month timeframe expires, the City did not intend to start condemnation proceedings. Mr. Halyak had indicated that he would not deal with the staff member who had contacted the media and had requested that the City refrain from representing the property. Until two days ago the City had ignored him and his only awareness of the proceedings had been from the news articles. Statements made in these articles were read to show how the staff had made it difficult for him to sell the building. Last Tuesday both he and his attorney received Board packets. He then questioned the City's appraisal of his property and how the determination had been made that its price is out of line. He felt that the individuals who had made these statements were looking to the City to obtain the building at a "greatly reduced price". The building's structure and the improvements he had made to improve the building were noted to support his contention that the building is neither dilapidated nor deteriorated. The building is not a fire hazard and has been inspected by the Fire Department on several occasions. It was recently used for the Ty Cobb movie. There are two construction projects, which have been fully permitted, that will commence soon on the building. As staff has been well aware of these efforts, he could not understand the personal vendetta against his building. He then expressed his feeling that there is another building near the Spur which is truly an eyesore. It is vacant and may be a fire and health hazard. Staff knows about this building, however, has never mentioned it. He questioned why staff has failed to go after this property. He shared the goal to bring back the downtown area and felt that the Spur is marketed to its highest and best use. The "grandstanding in the press" and defamatory statements diminish its value and undermine his ability to market the property. He felt that these actions have deprived him of the ability to dispose, use, and peacefully enjoy the property. He requested the Authority deny the resolution which in effect condemns his property and return his property rights.

Discussion ensued between the Authority and Mr. Halyak on the date he acquired the property and the proposed construction projects. Mr. Halyak also expressed his feeling that the funding allocated by Redevelopment would not "make or break" any project proposed for the Spur. It may "sweeten the deal". Discussed explored Mr. Halyak's comments about the potential buyer and the date when this offer could be finalized. Member Teixeira noted the positive changes which had occurred in the downtown area under Redevelopment which had increased Mr. Halyak's property value. He also expressed his feeling that a \$100,000 Redevelopment incentive is substantial and could help finalize the program. The \$1.4 million beautification project proposed for Carson Street would also increase his property values. As the Golden Spike was being given until May 16 to consummate its deal, he suggested that the same offer be made to Mr. Halyak. He urged Mr. Halyak to consider the offer seriously as the Authority would proceed on that date. Mr. Halyak felt that he had put more money into his property than was being offered by the City. Also, he has a qualified broker and marketing program. He asked what he could do to make the building more palatable. Member Teixeira indicated it needed to be inhabited. He wished to see the building be active and stressed that there is \$100,000 available to help make it happen. Mr. Halyak again stated his desire to market the building unfettered and requested direction be given to staff to stop the news articles. Member Teixeira indicated that the Authority lacked "any power over the media".

(2-0385.5) Bob McFadden noted the properties he owns in the downtown area including his acquisition of and improvements to the St. Charles Hotel. He felt that the St. Charles had been in the same predicament that Mr. Halyak was encountering with the Spur when he had acquired it. He supported redevelopment of historical

buildings and had testified to the same in Reno regarding the Mapes and Riverside. If and when eminent domain is used, he recommended hiring security and protecting the buildings until a viable project/business can be acquired for the property. He felt that eminent domain must be used to improve a town for its citizens. A time schedule should be established to accomplish this end. He felt that the City had been "playing fair ball" with George so far and that he "should not be too concerned as there will be two or three appraisals of the property and a fair value will be given for the property." He had paid \$750,000 for 12,000 square feet of property on a corner in the downtown area. He also has another "similar square foot valued property currently in escrow". As a broker he felt that the resale values of properties along Carson Street would help establish a fair market value. He agreed that the building is not currently open, which may impact its value. Plumbing and electrical upgrades will be required. He did not feel that it is reasonable to expect a person to invest \$4 to 5 million on such a small building. He agreed, however, that this is a question of "whose money is acquiring the building". He indicated that he was speaking for "the whole downtown in his estimation" and if eminent domain is required to resolve the blighted area in Carson City, he would promote it.

(2-0462.5) Additional public comments were solicited. Michael Ornelas cited examples of individuals who had foresight in their property dealings even though the public may have viewed the expenditure as being extravagant. If four pieces of property are contiguous and have different zoning, a different price could be obtained for each. The Spur is not worth as much money as a hardware store as it would if it is a casino. The City would also gain greater revenue with the casino than from a hardware store. This is capitalism at it's best. People have looked at the Spur. It is an excellent gaming facility generating a great deal of revenue and is priced accordingly. He encouraged anyone to make a presentation who is qualified to put the venture together for the benefit of the Redevelopment corridor. He acknowledged that some individuals feel that Mr. Halyak is somewhat fractious in his approach with some individuals but he is willing to negotiate with any competent party.

(2-0521.5) Larry Green questioned when and how much more money would be used in the downtown area before the number one blight is addressed. He acknowledged that the Highway could not be condemned but felt this was the number one blight and where the funding should be allocated. If a plan had commenced ten years ago, this discussion may not have occurred as it would have already been redeveloped. Ugliness is in the eye of the beholder. He felt that two other buildings should be added to the ugly list even though there are open businesses in them. He did not feel that condemnation procedures should be utilized to remove an individual's property rights just because an open business is not using the building. Chairperson Tatro noted that the expressway could be constructed for +/- \$150 million.

(2-0548.5) Additional public testimony was solicited but none given. Public testimony was closed.

Member Teixeira pointed out that as metamorphoses has occurred in the area, additional money has been generated. Member Teixeira moved that the Board continue the Lucky Spur as had been done for the Golden Spike, encourage Mr. Halyak and his principals to work with the City so that we could work together on each others behalf, as is being done with the other principal, and with the hope that there would not be any more discussion to the media during this period of time, that things will lie quiet, and that we agendize these items for both properties if necessary on May 16. Member Smith seconded the motion. Member Bennett supported the motion but was concerned with the term "if necessary". The previous item had been tabled indefinitely by the Chairperson. She requested the record reflect her objection to that. She was willing to consider it for 30 days, until the second meeting in May, as well as this issue, also at the second meeting in May. This was the only way she could support the motion. Member Ayres questioned whether there would have to be significant progress at the time both parties return on May 16 or what would be expected. Member Teixeira felt that the intent had been that the City of Carson City/Mary Walker will have confidential information, or whatever, which is being worked out with the developer and that they know there is \$100,000 there. He did not feel that it should be necessary at that point to solicit additional proposals. This was the request he was making for the Lucky Spur. Mr. Halyak had presented, and he was willing to take him at his word, that he is in serious negotiation. That would make it a level playing field. He did indicate that if the Authority does not request it, that he would request the items be reagendized for the 16th. Chairperson Tatro indicated that the motion would table the item until May 16th and requested a roll call vote. The motion as indicated was voted by roll call with the following result: Smith - Yes; Ayres - Yes; Teixeira - Yes; Bennett - Yes; and Chairperson Tatro - No. Motion carried 4-1.

