

## STAFF REPORT

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**Date:** July 27, 2016

**To:** Mayor and City Council

**Thru:** Andrew Clinger, City Manager

**Subject:** **J.3. Staff Report (For Possible Action): Discussion, review and potential approval of a term sheet for a Master Ground Lease and a Bill of Sale for the lodge building regarding the Sky Tavern property, located at 10000 Mount Rose Highway, with Sky Tavern, a Nevada nonprofit corporation.**

**From:** Jaime Schroeder, Recreation Manager

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**City of Reno Strategic Priority Alignment:** Strong Financial Condition

**Summary:** The City of Reno is currently in several contract agreements with Sky Tavern, a Nevada nonprofit. Staff is requesting direction from Council as to terms of a future master ground lease and bill of sale related to the Sky Tavern property. The bill of sale is for the lodge building only. The Buildings and all other fixtures and improvements would revert back to the City upon the termination for any reason of the Lease.

Staff recommends approval of a term sheet for a Master Ground Lease and a Bill of Sale regarding the Sky Tavern property with Sky Tavern, a Nevada nonprofit corporation, and direction regarding sale price of the lodge building only.

**Previous Council Action:** On December 2, 2015, Council directed staff to work with Sky Tavern and the Recreation and Parks Commission to develop a recommendation for revising the terms of the lease agreement.

**Background:** There are currently four agreements between the City of Reno and Sky Tavern:

**2008 Apartment Agreement**

- Entered into by Council on May 28, 2008 with a termination date of July 14, 2009.
- Allowed for Sky Tavern Junior Ski employee to reside at Sky Tavern in exchange for performing certain duties.

**2010 Second Apartment Amendment**

- Entered into by Council on June 23, 2010 with a termination date of July 23, 2020.
- Extended 2008 Apartment agreement.

### **2010 Amended and Restated Agreement**

- Entered into by Council on June 23, 2010 and will terminate on July 23, 2020.
- Allows Sky Tavern Junior Ski Program to operate at Sky Tavern from December 1 through April 30 of each year with the addition of two summer fundraising events.

### **2011 Amended and Restated Agreement – Master Development Rider**

- Entered into by Council on September 11, 2011 and will terminate on September 11, 2016.
- Allows Sky Tavern Junior Ski Program to operate at Sky Tavern from May 1 through November 30, with the intent of providing additional recreational opportunities and site improvements with the ultimate goal of entering into a 30-year master lease of Sky Tavern.

**Discussion:** The Master Development Rider is set to expire on September 11, 2016. Once that expires, Sky Tavern will return to only operating at Sky Tavern from December 1 through April 30 of each year.

Per Council direction, staff met several times with Sky Tavern to reach agreement on a term sheet. Attached is a term sheet that, if approved, will be used to negotiate a master ground lease and bill of sale for the property at Sky Tavern.

The master ground lease would allow Sky Tavern to operate at Sky Tavern year-round. Sky Tavern would be responsible for maintenance and utilities of the lodge, maintenance building, and related fixtures and systems, and the water system (indoors). The City would still maintain the outdoor components of the water system.

The bill of sale is for the lodge building only, not the land or the other fixtures. The Buildings and all other fixtures and improvements would revert back to the City upon the termination for any reason of the Lease. Council may choose to sale the building at fair market value or a different value, such as \$1.

The initial term would be 30 years, subject to two 10-year time extensions for a total of 50 years. Rent would be \$1 per year.

The term sheet was presented to the Recreation and Parks Commission on June 7, 2016. The Commission recommended Council approval. If Council approves this term sheet, staff will return to Council for approval of an agreement at the August 10, 2016 meeting or the August 24, 2016 meeting.

**Financial Implications:** No additional funds would be needed at this time. The Parks,

Recreation and Community Services Department would continue to budget \$500 per year for permit fees and Public Works would continue to use existing staff for monthly water testing (approximately six hours per month at an annual cost of \$6,500).

**Legal Implications:** Legal review completed for compliance with City procedures and Nevada Law.

**Recommendation:** Staff recommends approval of a term sheet for a Master Ground Lease and a Bill of Sale for the lodge building regarding the Sky Tavern property with Sky Tavern, a Nevada nonprofit corporation, and direction regarding sale price of the lodge building only.

**Proposed Motion:** I move to approve staff recommendation.

**Attachments:**

- Sky Tavern Master Ground Lease and Bill of Sale Term Sheet (PDF)
- 2008 Apartment Agreement (PDF)
- 2010 Amended and Restated Agreement (PDF)
- 2010 Second Apartment Amendment (PDF)
- 2011 Amended and Restated Agreement - Master Development Rider (PDF)
- Sky Tavern - Buildings (PDF)