

STAFF REPORT

Date: October 11, 2017

To: Mayor and City Council

Thru: Sabra Newby, City Manager

Subject: **H.4. Staff Report (For Possible Action): Resolution No. _____ Resolution of the City Council of the City of Reno, Nevada, to be provided to the Director of the Nevada Department of Business and Industry, supporting the construction of an affordable housing complex identified as “Sky Mountain by Vintage” (approximately 288 units to be located at the intersection of Summit Ridge Drive and Sky Mountain Drive) and providing other details in connection therewith.**

From: Cylus Scarbrough, Management Analyst

Summary: The State of Nevada Housing Division (NHD) is designated as the issuer of tax exempt housing revenue bonds in Nevada by the Internal Revenue Service. Each year, the City of Reno is allocated a portion of the State’s bond capacity. The City refers to this program as Private Activity Bond Volume Cap (Volume Cap). The City’s 2017 Private Activity Bond Volume Cap was approximately \$12.5 million. While the City of Reno has no remaining Volume Cap to transfer for this year, it is understood that the NHD has capacity and is able to issue 100 percent of the tax-exempt bonds for the proposed housing project if the NHD receives from the local government a letter indicating support of a project. In past years the City of Reno has given its unused volume cap to NHD for the benefit of other jurisdictions with the understanding that this service would be reciprocated in the event the City ever had more requests than capacity.

Vintage Housing is seeking \$18 million in tax-exempt bonds to finance the construction of a new affordable housing complex in northwest Reno, and is requesting that the City provide the Nevada Housing Division a letter of support from the Governing Body. Vintage Housing is also requesting that the NHD fully fund the Volume Cap needed for this project since the City of Reno has no remaining balance to transfer for this project. The proposal is currently known as *Sky Mountain by Vintage Apartments* and will be located at 4855 Sky Mountain Drive, directly adjacent to the former Great Western Marketplace building. The proposal will address the City’s priority of supporting affordable housing.

Staff recommends Council approval of the attached Resolution of support for the development of the Sky Mountain by Vintage Apartments.

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 2017 City Volume Cap allocation was approximately \$12.5 million. In March 2017, the City transferred all of the City's allocation of 2017 Volume Cap to the Director of the Department of Business and Industry, for the issuance of tax-exempt revenue bonds for the construction of a 360-unit affordable housing complex known as Steamboat at the Summit Apartments in south Reno, adjacent to the Summit Sierra Mall.

Per the Nevada Administrative Code (NAC 319.7115), the State can, however, issue 100 percent of the tax-exempt bonds for a housing project if the NHD receives from the local government a letter indicating support of a project and the Division has sufficient volume cap to provide the project. Staff has been in contact with the NHD and they do have sufficient volume. Vintage Housing is requesting the support of the Sky Mountain apartments from the Reno Governing Board.

The Sky Mountain by Vintage Apartments as proposed consists of 288 units that are considered affordable to households earning a maximum of 60 percent of the area median income (AMI). Vintage Housing is also requesting a Washoe County HOME Consortium (WCHC) deferred loan in the amount of \$100,000 in order to fill gap financing in the underwriting of the project. The HOME-designated portion of the project will consist of two units with rents affordable to households earning 50 percent of AMI, and three units with rents affordable to households earning 30 percent of AMI.

The WCHC Technical Review Committee and the WCHC Board of Directors has recommended the approval of these HOME funds in the amount of \$100,000. The Truckee Meadows Regional Governing Board will make a final decision on the granting of 2016-2017 HOME funds at their next meeting on October 26, 2017. The WCHC Board of Directors consists of the managers of the City of Reno, the City Sparks, and Washoe County. It is likely that Vintage Housing will request additional HOME funds from the WCHC to fill the gap financing for Sky Mountain.

In addition to the tax-exempt bonds issued by the Nevada Housing Division and the HOME funds issued by the Washoe County HOME Consortium, the project will also have equity from the sale of non-competitive four percent Low Income Housing Tax Credits. The developers also plan to apply for gap financing through the NHD Growing Affordable Housing Program (GAHP). The GAHP funding is designed to help innovative, quality affordable housing projects

meet the necessary underwriting criteria to utilize the NHD tax-exempt bond and four percent Low- Income Housing Tax Credit programs.

The 10.4 acre property is at the northwest corner of the intersection of Summit Ridge Drive and Sky Mountain Drive. There are multiple commercial shopping areas within a mile and a half of the property. The site is also located within zip code 89523, which is a HUD Small Area Difficult Development Area (SADDA) in 2017, qualifying Sky Mountain by Vintage for a 130 percent boost in tax credit eligible basis. The eligible basis boost is worth about \$4.25 million in additional tax credit equity. The SADDA is a new initiative by HUD, begun in 2016, which provides additional incentives for the creation of affordable housing in middle to upper-income areas with higher development costs. It is expected that Sky Mountain by Vintage is to close (financially) in March 2018, and construction is expected to be complete by September 2019.

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. The State of Nevada Department of Business and Industry 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. In accordance with NRS 348A.020 and NAC 348A.180, a local government, by resolution, may transfer to the State Director of Business and Industry its volume cap for a specified project or use.

Recommendation: Staff recommends Council adopt Resolution No. _____.

Proposed Motion: I move to adopt Resolution No. _____.

RESOLUTION NO.

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RENO, NEVADA, TO BE PROVIDED TO THE DIRECTOR OF THE NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY, SUPPORTING THE AFFORDABLE HOUSING COMPLEX IDENTIFIED AS “SKY MOUNTAIN BY VINTAGE” (APPROXIMATELY 288 UNITS TO BE LOCATED AT THE INTERSECTION OF SUMMIT RIDGE DRIVE AND SKY MOUNTAIN DRIVE) 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 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 Regulations”), 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 2017 was approximately \$12.5 million, yet there is no remaining balance for the rest of the year; and,

WHEREAS, in accordance with the Nevada Administrative Code (NAC 319.7115), the State can issue 100% of the tax-exempt bonds for a housing project if the Director receives from the local government a letter indicating support of a project and the State has sufficient volume cap to provide the project; and,

WHEREAS, Vintage Housing is seeking \$18 million in tax-exempt bonds to finance the construction of a new affordable housing complex in northwest Reno, and is requesting that the City provide the Director a letter of support from the Governing Body for the purpose of contributing to financing the new construction of the Sky Mountain by Vintage Apartments that

will provide decent, safe and sanitary dwellings, with all of the units committed to persons of low income and at affordable rents; and,

WHEREAS, Vintage Housing is also requesting that the Director fully-allocate the \$18 million in tax-exempt bonds needed for this project; 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 through 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 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 new rental units at Sky Mountain by Vintage Apartments), and low income residents of the City will benefit from the Sky Mountain by Vintage Apartments;

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

Section 1. Declaration of Support. The City of Reno, Nevada hereby declares the City's support for the project known as Sky Mountain by Vintage Apartments, a proposed 288 rental unit apartment community for low-income residents located on the northwest corner of the intersection of Summit Ridge Drive and Sky Mountain Drive, Reno, Nevada.

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 NAC 348A.300.

Section 4. City Representative. Any communication with the City regarding this matter

should be with Cylus Scarbrough, Housing and Neighborhood Development, Community Development Department, by phone at 775-334-2578 or e-mail at scarbroughc@reno.gov. Correspondence by United States Postal Service should be mailed to P.O. 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 within five days after the adoption of this resolution.

Section 6. 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 _____, 2017, by the following vote of the Council:

AYES: _____

NAYS: _____

ABSTAIN: _____ ABSENT: _____

APPROVED this _____ day of _____, 2017.

HILLARY L. SCHIEVE
MAYOR

ATTEST:

ASHLEY D. TURNEY
CITY CLERK