

## STAFF REPORT

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**Date:** December 6, 2017

**To:** Mayor and City Council

**Thru:** Sabra Newby, City Manager

**Subject:** **J.6. Staff Report (For Possible Action): Discussion and potential direction to staff regarding draft guidelines for Developer Special Assessment District Financing for the City of Reno.**

**From:** Jill Olsen, Interim Finance Director

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**Summary:** In an effort to establish guidelines for the consideration of the issuance of special assessment district bonds for new developments, staff has prepared the attached draft of Developer Special Assessment District Financing Guidelines (Guidelines). Chapter 271 of Nevada Revised Statutes (NRS) allows the City to acquire street, sidewalk, water, sewer, curb and gutter, streetlights and other publicly owned infrastructure improvements that benefit new development by the creation of a special improvement district. The actions are discretionary on the part of the City.

The purpose of these proposed Guidelines is to provide a procedure for staff to follow if the City desires to consider this type of financing for new developments involving one or a small number of private property owners who intend on developing their property for commercial, industrial, residential or other beneficial use. Staff is seeking direction from the Council with the possible adoption of the Guidelines.

**Discussion:** Under Chapter 271 of NRS, the City is authorized to acquire street, sidewalk, water, sewer, curb and gutter, streetlights and other publicly owned infrastructure improvements that benefit new development by the creation of a special improvement district.

The purpose of these Guidelines is to outline the procedures to be applied in considering this type of financing for new developments. The City Council reserves the right, on a case-by-case basis, to have additional requirements or waive specific requirements listed herein. Such additional or waived requirements shall be noted in the approval of any petition together with a finding that the deviation from this policy is in the best interests of the City.

As the Guidelines were developed, there were items which staff wanted to highlight for Council. Based upon Council direction, staff may amend the Guidelines and present the final draft for Council approval at a later date, or adopt immediately with proposed changes. The highlighted points include:

1. Does the City want to issue debt for the purposes of financing of new developments?
  - a. Local governments have established policies both in favor and in opposition to issuing debt for new developments. The developer/owner of the parcels is responsible for the assessments. If there is a payment delinquency, the City may foreclose and sell the lien publicly. If the lien does not sell, the City must make assessment payments until the lien can be sold. The debt is listed in the City's Comprehensive Annual Financial Report in the notes section.

If yes;

2. What improvements should be eligible for financing?
  - a. NRS allows for projects such as street, sidewalk, water, sewer, curb and gutter, streetlights and other publicly owned infrastructure improvements.
  - b. The Guidelines currently list publicly owned infrastructure for which the City is ultimately responsible or for which the City has entered into a cooperative agreement with another political subdivision.
3. What are the dollar limits and term on the debt issuance?
  - a. The Guidelines currently reflect consideration for no less than \$3 million and no more than \$25 million in bonds. The term of the bonds would not exceed twenty years.
4. Conditions required for financing:
  - a. Environmental Assessment
  - b. Property Owner Experience and Financial Information
  - c. Land Use
  - d. Sewer Capacity
  - e. Other Permits
5. Bond Requirements
  - a. Primary security for bonds is the assessment lien on the land proposed for assessment
  - b. Value to Lien Ratio
    - i. Pre-improvement value must be 1.5 times the amount of bonds proposed
    - ii. Post-improvement value must be 3.5 times the amount of assessment against the parcel
  - c. No pledge of General Fund or taxing power to the bonds
  - d. Debt service reserve fund of 10 percent of the bond proceeds required

6. Council approval of applications that meet Guidelines.

A list of Frequently Asked Questions has also been attached.

**Financial Implications:** No fiscal impact related to adoption of the Guidelines.

**Legal Implications:** Pursuant to Nevada Revised Statutes 271.700 through 271.730, the City is authorized under NRS 271.325 to create a district and order a project as defined under NRS 271.265 to be acquired or improved and may contract with a person (developer) to construct or improve a project that benefits new development and issue bonds or otherwise finance the cost of the project and levy assessments.

**Recommendation:** Staff recommends Council provide direction to staff including possible adoption of Developer Special Assessment District Financing Guidelines.

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

**Attachments:**

- SAD Guidelines Draft 11.02.17 Appr by FAB (PDF)