

STAFF REPORT

Date: September 11, 2019

To: Mayor and City Council

Thru: Sabra Newby, City Manager

Subject: **B.17. Staff Report (For Possible Action): 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 Silver Terrace (approximately 126 units located at 1611 Wedekind Road); together with other matters properly relating thereto.**

From: Cylus Scarbrough, Management Analyst

Summary: The State of Nevada Department of Business and Industry 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, which was approximately \$12.5 million in 2019. The City refers to this program as the Private Activity Bond Volume Cap (Volume Cap). While the City of Reno has no remaining Volume Cap to transfer for this year, per the Nevada Administrative Code (NAC 319.7115), the State can issue 100 percent of the tax-exempt bonds for a housing project if the Director of the Department of Business and Industry receives a letter indicating support of a project from the local government, and the Division has sufficient volume cap to provide the project.

Integra Property Group, LLC is seeking an amount not to exceed \$18 million in tax-exempt bonds to finance the rehabilitation of the Silver Terrace Apartments, an existing affordable housing complex in northwest Reno. Integra Property Group, LLC is requesting the City provide the State of Nevada a letter of support from the Governing Body. Integra Property Group is also requesting that the State Department of Business and Industry fully fund the Volume Cap needed for this project since the City of Reno has no remaining balance to transfer.

Staff recommends Council approval of the attached Resolution of support for the rehabilitation of the Silver Terrace by Integra Property Group.

Discussion: Each year the City is allocated a portion of the State's Industrial Development Revenue Bond (IDRB) capacity. The Volume Cap program allows developers to take advantage of tax-exempt financing, which lowers their development and interest costs. The 2019 City Volume Cap allocation was approximately \$12.5 million. In March 2019, the City transferred all

of the City's allocation of this year's Volume Cap to the Director of the Department of Business and Industry, for the issuance of tax-exempt revenue bonds for the rehabilitation of three other affordable housing complexes in Reno. These were the Citi Vista Apartments, Ridgeview Apartments, and the South Peak Apartments.

Since the Silver Terrace Apartments are an existing affordable housing complex, the property is restricted by a Low-Income Housing Tax Credit agreement. This agreement mandates that 100 percent of the units are set-aside for tenants making 60 percent of the area median income (AMI) or less, three of which are HOME-designated units affordable to tenants making 30 percent of the AMI or less. Additionally, 97 of the units are covered by a project-based Section 8 contract, further restricting these units to 50 percent of AMI. The proposed issuance of tax-exempt bonds/four percent tax credits will extend these restrictions for another 30 years. The proposal will address the City's priority of supporting affordable housing.

Rehabilitation of the project will potentially include the following improvements: new cabinetry, countertops, sinks and flooring in kitchen and baths, new appliances (EnergyStar where possible), low-flow faucets and energy efficient unit lighting, new low-flow toilets, new double-pane windows, new water heaters and HVAC systems, exterior paint, parking lot, landscaping and hardscaping improvements, LED lighting and ADA compliance upgrades.

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 the Resolution.

Proposed Motion: I move to adopt the Resolution.

Attachments:

- Silver Terrace - Bond - Local Support Letter (PDF)

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 SILVER TERRACE (APPROXIMATELY 126 UNITS LOCATED AT 1611 WEDEKIND ROAD); TOGETHER WITH OTHER MATTERS PROPERLY RELATING THERETO.

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 2019 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, Integra Property Group, LLC is seeking an amount not to exceed \$18 million in tax-exempt bonds to finance the rehabilitation an existing affordable housing complex in northeast 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 rehabilitation of the Silver Terrace 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, Integra Property Group, LLC 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 rental units at Silver Terrace Apartments), and low income residents of the City will benefit from the rehabilitation of this property;

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 the Silver Terrace Apartments, an existing affordable, 126 rental unit apartment community for low-income residents located in northeast Reno at 1611 Wedekind Road, 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 _____, 2019, by the following vote of the Council:

APPROVED this _____ day of _____, 2019.

MAYOR HILLARY L. SCHIEVE

ATTEST:

ASHLEY D. TURNEY
CITY CLERK