

**CITY OF RENO**  
**DEVELOPER SPECIAL ASSESSMENT DISTRICT**  
**FINANCING GUIDELINES**  
**Draft as of 11.02.17**

Pursuant to the Nevada Revised Statutes (NRS), 271.700 through 271.730, the City of Reno (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.. The purpose of these guidelines is to set forth the circumstances under which the City will consider this type of financing for new developments involving one or a small number of private property owners (referred to herein as "Property Owner") who intend on developing their property for commercial, industrial, residential or other beneficial use. The City Council reserves the right, on a case by case basis, to approve additional requirements or to 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 interest of the City.

**I. ELIGIBLE IMPROVEMENTS**

**A. Local Improvements**

Through the "Consolidated Local Improvement Law" (Chapter 271 of the Nevada Revised Statutes), counties, cities, and towns are allowed to form Special Improvement Districts (SID) for the purpose of acquiring, improving, equipping, operating, and maintaining specific projects within the municipality. Projects include improvements such as street pavement, curb and gutter, sidewalk, streetlights, driveways, sewer and water facilities, etc. Such local improvement districts are generally formed to provide a source of funding for the construction and/or maintenance of eligible improvements within the district.

**B. Public Ownership Requirements**

Only 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 is eligible for financing. Privately-owned improvements, such as electric, gas, and cable television improvements, streets or roads that are not dedicated to the City, and private portions of other improvements, such as sewer service lines from the property lines to the home or other structure, are not eligible for financing. Construction and improvements must be constructed in accordance with the City's standards and will only be accepted upon proper dedication of right-of-way and approval of said infrastructure improvements. Further, NRS Chapter 338 et. seq. applies to the public improvements.

C. Benefit

The improvements proposed to be constructed must benefit the property assessed (pre-appraisal value) by an amount at least equal to the amount of the assessments.

II. LIMITATIONS RELATED TO IMPROVEMENTS

A. Size

Generally, the City will not consider stand-alone assessment districts, which involve less than \$3,000,000 (three million dollars) or no more than \$25,000,000 (twenty-five million) in bonds.

III. ENVIRONMENTAL MATTERS

A Phase 1 environmental assessment (hazardous waste assessment) shall be performed on the property to be assessed, property on which the improvements are to be located, and on any property to be dedicated to the City. Such Phase 1 environmental assessment must be provided to the City as part of the application for the District set forth as an example in Exhibit A to these Guidelines. Each Property Owner must also provide the City with an indemnification agreement in a form acceptable to the City (see example in Exhibit A), promising to indemnify the City for any and all liability and/or costs associated with any environmental hazards located on property assessed, property on which improvements financed with the assessment district are proposed to be located, or on any property dedicated to the City. In instances where there is other compelling evidence of environmental contamination, the Property Owner will be required to perform the environmental clean-up. Hazardous material mitigation will not be a reimbursable cost.

IV. DEVELOPMENT

A. Property Owner Experience and Financial Information

The Property Owner must demonstrate to the City that it has the expertise and financial resources to develop the property involved in the assessment district. In order to demonstrate its ability to develop, the Property Owner shall furnish the City with the following:

- Financial statements for the last three years (last two years audited) or third party compilation as defined by the American Institute of Certified Public Accountants
- List of prior developments of similar or larger size which the Property Owner

has completed;

- List of references consisting of the names of officials of other political subdivisions in which the Property Owner has completed similar or larger size developments; and
- Evidence that the Property Owner has the financing to proceed with the development. (This evidence could consist of a commitment letter from a bank or other financial institution or other evidence that the Property Owner has sufficient resources in its bank accounts and other investments to commence and complete development.)

B. Land Uses

The proposed development must be consistent with the Planned Unit Development relating to the proposed development approved by the City and as necessary, the Regional Plan, City Master Plan, City Zoning, and City Capital Improvement Program. The property owner must demonstrate that it reasonably expects to obtain all required discretionary development permits in sufficient time to proceed with the development to completion as proposed.

C. Preliminary Title Report

A preliminary title report will be required to determine ownership of the impacted parcels as well as any lien, easement, judgment, etc. against the property.

D. Sewer Capacity

Connection to a public sewage treatment plant is required. The Property Owner must provide a "will serve" or similar commitment from the entity providing sewer service to the development stating that sufficient capacity has been reserved and is in existence or will be constructed concurrently with the subject development.

E. Other Permits

The Property Owner must provide to the City a status report of all other permitting processes required for development of the property, including but not limited to: historical preservation, wetlands, archeological, geological, etc. The City may deny any proposal based on an unsatisfactory report.

V. ASSESSMENT BONDS AND BOND SECURITY

A. Primary Security

The primary security for bonds will be the assessment lien on the land proposed to be assessed.

The Property Owner must demonstrate to the City that there is not significant financial risk to the City in issuing the bonds. Property Owner's guarantee of payment of the assessment will be required unless a letter of credit or bond insurance policy is provided guaranteeing payment of the bonds, or unless either the appraisal indicates that the value of the property and other security pledged to the bonds is at least three and one-half (3.5) times the amount of the bonds proposed to be issued. If guarantees are required, they will be released with respect to any parcel which has been improved in any manner if the appraised value (as determined by an appraiser acceptable to the City) of the parcel is four or more times the amount of the unpaid assessment on such parcel or on which a substantial improvement, such as a commercial building, has been completed if the parcel has a size of two acres or less. The proposed security ratio shall not be reduced, but may be increased for additional security.

B. Appraisal: Value to Lien Ratio

The Property Owner must provide the City with funds with which to have an expert prepare an appraisal. The appraiser will be selected by and contracted with the City. The City will require that an appraisal of the property that will be assessed indicate that the appraised value of the property "as is" (prior to further subdivision and without considering the installation of the improvements) is at least one and one-half (1.5) times the amount of the bonds proposed to be issued, and that the value of each parcel to be assessed after improvements financed with the assessment bonds are installed is at least three and one-half (3.5) times the amount of the proposed assessment against that parcel. These proposed value-to-lien ratios shall not be reduced, but may be increased for additional security.

C. No Pledge of General Fund or Taxing Power

The City will not pledge its general fund or taxing power to bonds issued to finance project improvements.

D. Bond Underwriting Commitment

The Property Owner must demonstrate to the City, and the City's financial advisor, that bonds proposed to be issued for the financing are saleable. Prior to the time the City commences work on the assessment district, the Property Owner must provide the City with a letter from a reputable underwriter or bond buyer, acceptable to the City, which states that the underwriter believes the bonds are marketable at an interest rate acceptable to the Property Owner based on the prevailing market conditions, that it is willing to contract with the City to

underwrite the bonds on a best efforts basis or that the bond buyer intends to acquire the bonds at an interest rate which the bond buyer and Property Owner agree is acceptable and that it is willing to contract with the City to so acquire the bonds.

E. Bond Reserves

A debt service reserve fund will be created from the proceeds of a bond issue to provide a ready reserve to meet current debt service payments or fund administrative actions or re-apportionments. For each bond issue, the City shall require a reserve fund equal to 10% of the proceeds of the bonds, and the reserve must be funded at the time the bonds are issued.

F. Bond Terms

The term of the bonds shall not exceed twenty (20) years.

G. Additional Security

The Property Owner must demonstrate to the satisfaction of the City, that there is not significant financial risk to the City in issuing the bonds. The determination of no significant financial risk will be determined by the City Council based upon a recommendation of the City Finance Director. If the City determines that it is not adequately protected by the security described in subsections V.A, V.B, and V.E above, the City can require additional security as it deems necessary.

H. Consultants

The City will permit the Property Owner to choose the consulting engineers and underwriter provided that the entities chosen are acceptable to the City. The payment of all fees and expenses of these consultants shall be the responsibility of the Property Owner; however, these consultants will be responsible to, and will act as consultants to, the City in connection with the district. The City will select the bond counsel and bond advisor to be used in the issuance of the bonds.

I. Expenses

The Property Owner will be required to pay out of its own pocket all of the costs of the project prior to the time bonds that are issued, including the costs of consulting engineers, assessment engineers, underwriters, the City's financial consultant, the City's bond counsel, preparing the appraisal, the absorption study, the environmental review and other matters listed above. These items will be eligible for reimbursement from bond proceeds if the bonds are ultimately

issued; however, the Property Owner must agree to pay these costs even if bonds are not issued.

J. Project Acquisition

The City will acquire completed projects after final inspection by the City, an audit by the City Public Works Department and City staff, and acceptance by the City Council. Unless approved by the Finance Director, the City will only acquire discreet complete projects whose cost together with the cost of other complete discrete projects being acquired at the same time is \$250,000 (two hundred fifty thousand dollars) or more.

All bond disbursements are on a reimbursement basis from completed phases of projects after inspection by the City.

K. Cost Overruns

The Property Owner must agree to fund all project costs which exceed the amount available from the proceeds of the bonds issued for the project. The City will not commit to issue additional bonds or otherwise provide funding for any such cost overruns.

L. Continuing Disclosure Reports

The Property Owner will prepare and distribute, at their own expense, reports associated with SEC Rule 15(c)2-12.

VI. PROCEDURE

A. Pre-Application Meeting

Initially, the Property Owner shall schedule a meeting with such representatives of the City as are designated by the City Manager to review the proposed development to discuss whether the development is one which may be eligible for financing under these guidelines.

B. Application

If the Property Owner decides to proceed after the initial meeting, the Property Owner and all owners of record of property in the proposed district must sign a petition for the district and file the petition and an application which contains sufficient information and exhibits to demonstrate that the proposed district will comply with all parts of these guidelines. The petition and application must be

filed with the City Manager's office.

C. Council Approval

If, after an initial review, the City staff believes the application satisfies all sections of these guidelines, an item will be placed on the City Council agenda authorizing negotiations with respect to the proposed project. If this item is approved by the Council, it is anticipated that staff will be authorized to begin negotiating the particulars of the financing with the Property Owner and other appropriate parties.

D. Security for Costs

Prior to entering negotiations, the Property Owner must post a letter of credit, surety bond or other acceptable form of security that the Director of Finance deems sufficient for payment of the costs described above.

## Exhibit A

### INDEMNIFICATION CERTIFICATION - SAMPLE

The Property Owner (herein "Applicant"), \_\_\_\_\_, agrees to indemnify and hold harmless the City of Reno, its officers and employees against any and all losses, claims, damages, or liability to which the City, its officers and employees may become subject under any law in connection with the issuance and sale of the Bonds and the carrying out of the transactions contemplated by the Agreement, and to reimburse the City, its officers and employees, for any out-of-pocket legal and other expenses (including reasonable counsel fees) incurred by the City, its officers and employees, in connection with investigating any such losses, claims, damages, or liabilities or in connection with defending any actions relating thereto. The Applicant further agrees to indemnify the City and its officers and employees for any and all liability and/or costs associated with any environmental hazards located on property assessed, property on which improvements financed with the assessment district are proposed to be located or on any property dedicated to the City.

The City agrees, at the request and expense of the Applicant to cooperate in the investigation in defense of any claims, threatened litigation and litigation, and upon request of the Applicant to assert any and all rights, privileges and defenses identified by the Applicant which may be available to the City, subject to the City's determination that such assertion is reasonable and warranted under the facts and circumstances.

**SPECIAL ASSESSMENT DISTRICT APPLICATION**  
**Application Information**

Application Information – The following information needs to be supplied as part of the Application.

- A. Contact information
  - a. Applicant Name (if other than sole proprietor, please include individual contact name and information)
  - b. Applicant Physical Address/Mailing Address
  - c. Applicant Phone Number
  - d. Applicant E-mail Address
  - e. Date of Application
  
- B. Previous Special Assessment District experience Previous project description
  - a. Allocating Agency (Issuer of the previous SAD bonds, if not the City of Reno) SAD Amount
  - b. Land Value
  - c. Date of SAD origination
  - d. Date of SAD Bond Sale/Placement
  - e. Development Team Information (Names/Phone Numbers/E-Mail Addresses) Developer
  
- C. Contractor Management Company Consultant
  - a. Attorney CPA
  - b. Appraiser
  
- D. Financial statements for the last three years (last two years audited) or third party compilation as defined by the American Institute of Certified Public Accountants
  
- E. Project Identification Site Information
  - a. Address (street, zip code) Parcel Number Approximate size in acres
  - b. Type of project (sewer, streets, sidewalks, etc.)
  - c. Zoning
  - d. If not properly zoned, is site currently in the process of rezoning? When will the zoning issue be resolved?
  - e. Date of transfer to the City (estimate) Appraisal, if available
  - f. Phase 1 Environmental Assessment
  - g. Absorption Study, which shall, at a minimum, indicate the economic feasibility of the project based upon supply and demand trends and estimated conditions in the market area for the proposed product mix.
  
- F. Discussion of the ability to make assessment payments if property develops slower than anticipated.
  
- G. Ownership Information
  - a. Parcel No. with Owner Name and Contact Address/Phone Name(s) of vested owner on Preliminary Title Report

H. Source of Funds

- a. Construction Financing (by source-must include all sources)
- b. Provider's Name
- c. Provider's Address (physical and mailing) Contact Person (Name, telephone, fax, and e-mail)
- d. Financing Source (Bond financing, Conventional, Non-Recourse, Owner Equity, Private, Other) Finance Type (Balloon Loan, Credit Enhancement, Deferred Loan, Forgivable Loan, Amortizing Loan, Other)
- e. Commitment Date Principal Amount Interest Rate
- f. Percentage of Construction Funding Underwriter Information
- g. Expected Interest Rate Underwriter's Name
- h. Underwriter's Address (physical and mailing) Underwriter Contact (Name, telephone, fax and e-mail) Finance Source (Bond financing, Other)
- i. Commitment Date Principal Amount Term in Years
- j. Type of Amortization Payment Frequency
- k. Amortization beginning in year \_\_\_\_\_

I. Potential Costs and Uses

- a. Costs Land Buildings Construction
- b. Professional Fees Interim Costs
- c. Permanent Financing Costs City Staff Costs
- d. Soft costs (feasibility, market, environmental, compliance, appraisal, survey, other)
- e. Number of subdivided parcels
- f. Anticipated sales dates Anticipated sales costs
- g. Administration costs (accounting, advertising, legal, management fees, taxes other)

J. Proposed Project Time Schedule (Build-Out Time frame required)

The City reserves the right to request additional information. The Applicant is required to provide their best efforts to deliver the requested information.

**PLEASE READ THE FOLLOWING IMPORTANT PARAGRAPHS AND ACKNOWLEDGE YOUR UNDERSTANDING BY INITIALING ALL APPLICABLE PARAGRAPHS**

This application is for bond financing, the undersigned is responsible for ensuring that the project complies or will comply with the requirements of all City, State and Federal Law. The undersigned agrees to indemnify and save and hold the City of Reno, its agents, officers and employees harmless against all losses, costs, damages, expenses and liabilities, whatsoever the nature and kind (including, but not limited to attorney's fees, litigation and court costs, amounts paid in settlement, and amounts paid to satisfy a judgment) directly or indirectly resulting from, arising out of, or related to acceptance, consideration and approval or disapproval of this application for bond financing.

Initial here \_\_\_\_\_

In all cases, the undersigned acknowledges and agrees that the project will be regulated in accordance with the terms of these guidelines and the agreement between the Property Owner (Applicant) and the City.

Initial here \_\_\_\_\_

The undersigned further acknowledges that the application becomes a matter of public record upon submission to the City of Reno, its agents, officers and/or employees.

Initial here \_\_\_\_\_

THE UNDERSIGNED, BEING DULY SWORN AND UNDER PENALTY OF PERJURY, HEREBY REPRESENTS AND CERTIFIES THAT HE/SHE IS DULY AUTHORIZED TO EXECUTE THIS APPLICATION ON BEHALF OF THE PROJECT SPONSOR AND THAT THE FOREGOING INFORMATION, TO THE BEST OF HIS/HER KNOWLEDGE, IS TRUE, COMPLETE AND ACCURATELY DESCRIBES THE PROPOSED PROJECT.

IN WITNESS HEREOF, the project sponsor has caused this document to be duly executed in its name on this day of \_\_\_\_\_, 2\_\_ .

Project Name

Project Sponsor

Authorized Agents Name

Title

Signature

STATE OF NEVADA )

COUNTY OF WASHOE )

On this \_\_\_\_\_ day of \_\_\_\_\_, 2\_\_\_\_ before me personally came  
To me known who, being by me duly sworn, did depose and say that (s)he executed the above.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal.

Notary Public