City of Fernley Redevelopment Working Group Discussion Meeting

Thursday, April 7, 2016

City Hall
City of Fernley
595 Silver Lace Boulevard
Fernley, NV 89408

University Center for Economic Development
http://www.unr.edu/business/research-and-outreach/uced

University Center for Economic Development – Nevada Leadership Program
http://www.unr.edu/business/research-and-outreach/nevada-leadership
The Redevelopment Process and Review of NRS Chapter 279

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What is Redevelopment?

“Redevelopment and reuse are *processes* for taking previously developed property or areas to a higher, more productive use.

Specifically, *redevelopment* refers to new construction (with demolition if necessary) or the process to improve an area through both new construction and property reuse. Property *reuse* refers specifically to the renovation or rehabilitation of an existing building (or structure).

This type of development encourages infill rather than sprawl, makes use of existing infrastructure, and helps to remove blight.”
Redevelopment and Tax Increment Financing

Three Areas for Discussion:

– Process, Benefits, and Additional Requirements

– Tax Increment Financing

– What does Redevelopment mean for Fernley?

Process and Benefits

▪ Process – Governed under Nevada Revised Statutes, Chapter 279, “Redevelopment of Communities” Law.

▪ Benefits – County-wide benefits for citizens, local taxing entities and the community at large.
Benefits

• Increased living, working, shopping and entertainment opportunities.

• Decreased costs for support services in “blighted” areas.

• A Larger Tax Base.

• Increased support for local area School District and other agencies over the live of the Redevelopment Plan.

Benefits of a Larger Tax Base

Increased Revenue Streams from increased levels of Economic Activity.

– Sales Tax Revenue

– Business License Revenue

– Hotel Room Tax Revenue

– Gaming Revenue
Benefits

- Provides for Implementation of Redevelopment strategies beyond just the redevelopment district – “spin off” development.

- Represents a Long-Term Financing Strategy to address long-term economic and social trends.

- Allows for New and Transformative projects and initiatives to be pursued.

Benefits of Financial Leveraging through Redevelopment

Redevelopment funds can be leveraged in numerous ways:

- Matching Funds for grant sources – EPA grants, HUD grants, DOT grants, etc.
- Pursuit of Special Assessment District (SAD) Bonds.
- Pursuit of Redevelopment Property Tax Increment Financing (TIF) Bonds.

The Findings of the Redevelopment Plan can serve as the foundation for pursuing these other funding sources.
Redevelopment - Programs

- Acquisition, Assembly, and Demolition of Property

- Partnerships with other Economic Development Organizations – Leveraging of Existing Resources

- Brownfield Clean-up Revolving Loan Fund

- Commercial Façade Program

- Revolving Loan Programs for Small Business within the Project Area

Process Outlined in NRS 279
Redevelopment of Communities
Process

Specifically, get to know:

– NRS 279.388 “Blight Area” Defined
– NRS 279.408 “Redevelopment” Defined
– NRS 279.410 “Redevelopment Area” Defined
– NRS 279.412 “Redevelopment Project” Defined
– NRS 279.426 through NRS 279.468 “Creation Process”
– NRS 279.516 through NRS 279.609 “Plans”

Areas of “Process” include:

– Formation of a Redevelopment District.

– Governance.

– Duration of Existence.

– Areas Eligible for Inclusion.
“General” Steps in the Process:

Step 1: City Council establishes a study area.

Step 2: Hiring of a Consultant to prepare the required documents and conduct a Physical Property Survey of the Study Area.


Process

Step 5: Two Public Hearings, 30 days apart with notifications mailed to impacted property owners 30 days prior to both Public Hearings.

Step 6: The Enabling Redevelopment Plan is adopted via City ordinance, mandatory “Challenge Period”.

Process

- The Redevelopment Plan is not an action plan – it is a legally required document part of a mandatory process outlined in NRS 279.

- Strategic Plans for the District cannot be developed until after the District is established. Remember that these “strategic plans” will ultimately be property of the Agency.
Post-Process

After the Redevelopment District is established, then:

- Develop the Physical Structure of the Agency based on findings in the Redevelopment Plan.
- Begin to develop strategic action plans for the District.
- Begin to pursue projects in the District.
- Begin to issue debt, collect revenue, incur expenses, hire staff, etc.

Existing Caps on Revenues Collected by a Redevelopment Agency

“In any fiscal year, the total revenue paid to a redevelopment agency must not exceed an amount equal to the combined tax rates of the taxing agencies for that fiscal year multiplied by 10 percent of the total assessed valuation in the municipality.”

- NRS 279.676.2
Further Requirements

At least 75% of the area included within a redevelopment area must be improved land.

The Percent of area determined to be improved is part of the Physical Property Survey.

Tax Increment Financing (TIF)
Tax Increment Financing (TIF)

- Increment to Agency
- Base to Everyone Else

TIF Bond Financing Criteria

- The Bigger the project area/district, the Bigger the Bonding Potential.

- Benefits of a Larger District for purposes of bonding include:
  - Geographic and Taxpayer Diversity.
  - Broader mix of Property Types.
  - Diversity in Economic Conditions.
  - More Development Potential.
  - Larger pool of Potential Revenues.
  - Ability to bond sooner.
  - Economies of Scale.
TIF Bond Financing Criteria

“Average Financial Industry Criteria” include:

– Project Area Size and Location
  500 to 1,000 acre threshold.

– Assessed Valuation
  $500 Million Total AV Threshold of Insurance
  Base Year Value as a % of Total AV
  Growth with Trends and Potential
  Grow with Trends and Potential

TIF Bond Financing Criteria

“Average Financial Industry Criteria” include:

– Taxpayer Diversity
  Residential, Commercial, etc.
  Concentration of Revenue
  Stability of Tax Base

– Local Economy
  Employment Base

– Legal Structure
  Debt Service Coverage
  Flow of Funds
  Additional Bonds Test
What Does Redevelopment Mean for the City of Fernley?

A Community in Transition

New Growth Pressures:

- Tesla, Switch, Continued build-out of the Tahoe-Reno Industrial Center
- Major Infrastructure Projects (USA Parkway)
- Regional Pressures: Nevada Copper (southern Lyon County), Silver Springs Airport (central Lyon County)
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Redevelopment in Nevada – Process and Benefits

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Redevelopment in Nevada – Process and Benefits

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Redevelopment in Nevada – Process and Benefits

The Financial and Economic Feasibility Requirement, NRS 279.572 Contents of redevelopment plan; General requirements:

- The amount of open space to be provided and the layout of streets.
- Limitations on the type, size, height, number and proposed use of buildings.
- The approximate number of dwelling units.
- The property to be devoted to public purposes and the nature of those purposes.
- Other covenants, conditions and restrictions which the legislative body prescribes.
- The proposed method of financing the redevelopment plan in sufficient detail so that the legislative body may determine the economic feasibility of the plan.
### City of Fernley, Proposed Redevelopment Project Area, Proposed Redevelopment Project Area Subareas

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>Total Number of Acres</th>
<th>Percent of City-Wide Total</th>
<th>Total Number of Parcels</th>
<th>Percent of City-Wide Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Fernley</td>
<td>78,803.4</td>
<td>100.0%</td>
<td>9,461</td>
<td>100.0%</td>
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<tr>
<td>Proposed Redevelopment Project Area</td>
<td>-</td>
<td>-</td>
<td>3,886</td>
<td>-</td>
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<tr>
<td>Historic Downtown</td>
<td>873.5</td>
<td>1.1%</td>
<td>1,075</td>
<td>11.4%</td>
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<tr>
<td>Industrial Area</td>
<td>1,378.1</td>
<td>1.7%</td>
<td>506</td>
<td>5.3%</td>
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<tr>
<td>Residential Area</td>
<td>584.9</td>
<td>0.7%</td>
<td>1,043</td>
<td>11.0%</td>
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<tr>
<td>West Development Area</td>
<td>433.0</td>
<td>0.5%</td>
<td>172</td>
<td>1.8%</td>
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<tr>
<td>East Development Area</td>
<td>743.2</td>
<td>0.9%</td>
<td>1,090</td>
<td>11.5%</td>
</tr>
</tbody>
</table>

### Actual Change, Actual Percentage Change and Annual Average Percentage Change in Total Taxable Value FY 2011-12 to FY 2016-17

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>Actual Change</th>
<th>Actual Percentage Change</th>
<th>Annual Average Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Fernley</td>
<td>$389,044,826.62</td>
<td>35.46%</td>
<td>6.55%</td>
</tr>
<tr>
<td>Proposed Redevelopment Project Area</td>
<td>$141,782,507.12</td>
<td>24.97%</td>
<td>4.79%</td>
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<tr>
<td>Historic Downtown</td>
<td>$20,996,440.13</td>
<td>14.74%</td>
<td>2.93%</td>
</tr>
<tr>
<td>Industrial Area</td>
<td>$21,484,348.71</td>
<td>9.00%</td>
<td>1.88%</td>
</tr>
<tr>
<td>Residential Area</td>
<td>$50,978,665.98</td>
<td>51.39%</td>
<td>9.29%</td>
</tr>
<tr>
<td>West Development</td>
<td>$1,892,849.25</td>
<td>29.86%</td>
<td>5.99%</td>
</tr>
<tr>
<td>East Development</td>
<td>$46,430,203.05</td>
<td>57.12%</td>
<td>10.72%</td>
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City of Fernley, Propose Redevelopment Project Area, and Subareas
Actual Change, Actual Percentage Change and Annual Average Percentage Change in Total Assessed Value
FY 2011-12 to FY 2016-17

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>Actual Change</th>
<th>Actual Percentage Change</th>
<th>Annual Average Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Fernley</td>
<td>$136,165,688.00</td>
<td>35.46%</td>
<td>6.55%</td>
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<tr>
<td>Proposed Redevelopment Project Area</td>
<td>$49,623,877.00</td>
<td>24.97%</td>
<td>4.79%</td>
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<tr>
<td>Historic Downtown</td>
<td>$7,348,754.00</td>
<td>14.74%</td>
<td>2.93%</td>
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<tr>
<td>Industrial Area</td>
<td>$7,519,522.00</td>
<td>9.00%</td>
<td>1.88%</td>
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<tr>
<td>Residential Area</td>
<td>$17,842,533.00</td>
<td>51.39%</td>
<td>9.29%</td>
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<tr>
<td>West Development</td>
<td>$662,497.00</td>
<td>29.86%</td>
<td>5.99%</td>
</tr>
<tr>
<td>East Development</td>
<td>$16,250,571.00</td>
<td>57.12%</td>
<td>10.72%</td>
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Various Ad Valorem Rates
FY 2011-12 to FY 2015-16

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Combined Tax Rate</th>
<th>County Tax Rate</th>
<th>Combined Special District Tax Rate</th>
<th>School Tax Rate</th>
<th>State Tax Rate</th>
<th>Total Property Tax Rate</th>
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</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>0.5469</td>
<td>0.8644</td>
<td>0.4567</td>
<td>1.3367</td>
<td>0.1700</td>
<td>3.3747</td>
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<tr>
<td>2012-13</td>
<td>0.5469</td>
<td>0.8644</td>
<td>0.4803</td>
<td>1.3367</td>
<td>0.1700</td>
<td>3.3983</td>
</tr>
<tr>
<td>2013-14</td>
<td>0.6169</td>
<td>0.9287</td>
<td>0.4974</td>
<td>1.3367</td>
<td>0.1700</td>
<td>3.5497</td>
</tr>
<tr>
<td>2014-15</td>
<td>0.6169</td>
<td>0.9287</td>
<td>0.4994</td>
<td>1.3367</td>
<td>0.1700</td>
<td>3.5517</td>
</tr>
<tr>
<td>2015-16</td>
<td>0.6695</td>
<td>0.9827</td>
<td>0.5001</td>
<td>1.3367</td>
<td>0.1700</td>
<td>3.6050</td>
</tr>
<tr>
<td>Average Rate</td>
<td>0.5994</td>
<td>0.9138</td>
<td>0.4868</td>
<td>1.3367</td>
<td>0.1700</td>
<td>3.4959</td>
</tr>
</tbody>
</table>

True Tax Rate for the Redevelopment Project Area would be $3.0199 per $100 of Assessed Value (0.5994 + 0.9138 + 1.3367 + 0.1700).
Results of the Preliminary Financial and Economic Feasibility Study

Three Growth Scenarios (0.50%, 1.00% and 2.00% growth in Assessed Value over 30, 40 and 50 Years):

– At 0.50 Percent Growth with a Rate of 0.5994:
  • 30 Years: $2.7 million in total revenues; $101,980 in annual revenues.
  • 40 Years: $5.5 million in total revenues; $137,206 in annual revenues.
  • 50 Years: $8.7 million in total revenues; $173,643 in annual revenues.

– At 1.00 Percent Growth with a Rate of 0.5994:
  • 30 Years: $5.6 million in total revenues; $214,399 in annual revenues.
  • 40 Years: $11.8 million in total revenues; $293,708 in annual revenues.
  • 50 Years: $18.9 million in total revenues; $378,639 in annual revenues.

– At 2.00 Percent Growth with a Rate of 0.5994:
  • 30 Years: $12.3 million in total revenues; $475,329 in annual revenues.
  • 40 Years: $27.1 million in total revenues; $677,001 in annual revenues.
  • 50 Years: $45.5 million in total revenues; $909,041 in annual revenues.

Next Steps

Next Steps in Establishing a Redevelopment Project Area:

– City Council designates an official ‘study area’.

– Preparation of a draft Redevelopment Plan (the draft redevelopment plan would contain all six components of a redevelopment plan as identified in NRS 279.572).

– Preparation of the draft Owner Participation Rules.

– Presentation of the draft Redevelopment Plan and draft Owner Participation Rules to the Planning Commission and City Council.