REGULAR MEETING OF THE SPARKS CITY COUNCIL

April 02, 2008 8:00 a.m.

1. Call to Order	Time: 8:02:45 a.m. The regular meeting of the Sparks City Council was called to order by Mayor Geno Martini at 8:02 a.m. in the Council Chambers of the Legislative Building, 745 Fourth Street, Sparks, Nevada.
2. Roll Call	Time: 8:02:50 a.m. Mayor Geno Martini, City Clerk Linda Patterson, Council Members John Mayer, Phillip Salerno, Ron Smith, Mike Carrigan, Ron Schmitt, City Manager Shaun Carey, City Attorney Chet Adams, PRESENT. Staff Present: Neil Krutz, Randy Mellinger, Randy Waterman, Kathy Clewett, Steve Driscoll, Chris Syverson, Adam Mayberry, Tom Minton, Tracy Domingues, Stan Sherer, Tony Turley, Armando Ornelas, Dan Marran, David Fitzpatrick and Carrie Brooks.
Pledge of Allegiance	Time: 8:03:07 a.m. The Pledge of Allegiance was led by Council Member Phillip Salerno.
Comments from the Public	Time: 8:03:55 a.m. Senator Randolph Townsend spoke in support of the RED Project, stating it was a huge project for Northern Nevada. Mr. Don Young asked the Council to consider the legacy they are leaving the citizens of Sparks. He said the agreement is not equitable and does not benefit the City. Mr. Steve Machico, representing the Carpenters Union, spoke in support of the project. Ms. Clara Andriola, representing the Association of Builders and Contractors, spoke in support of the project. Mr. Justin Ivory, a business owner in Sparks, spoke in support of the project, stating so many positive things will come out of this project. Mr. Gary Schmidt stated he supported the project, but was opposed to portions of the public financing on this project. He also read an editorial claiming that public officials are at fault for the current budget crisis for not making growth pay its own way.

Mr. Michael Sterns, representing the Reno/Tahoe Open, spoke in support of the project.

3.
Amendment to the Disposition, Development and Financing Agreement (DDFA) with Sparks Legends Development Incorporated

Time: 8:18:14 a.m.

An agenda item from City Manager Shaun Carey recommending the City Council review and approve an amendment to the City of Sparks Disposition, Development and Financing Agreement (DDFA) by and between the City of Sparks, Redevelopment Agency II and Sparks Legends Development Incorporated. As described and disclosed within this agenda report and in the DDFA, the DDFA provides for the use of a Local Improvement District (LID) funded by individual assessments, or upfront payments, from the various parcels included within the Legends Project. The DDFA also provides a pledge of tax increment revenues from the Tourism Improvement District (TID) created for the Legends Project in the form of several series of Tax Increment Financing (TIF) Bonds secured by the bonding capacity of the Agency and pay as you go revenues to back stop the potential Sales Tax Anticipation (STAR) Bond short fall. The final and principal revenue source for the project is the issuance of STAR Bonds from the revenues generated with the Sparks Tourism District to the maximum degree economically feasible. The funds used for STAR, LID, and TIF Bonds are NOT General Obligations of the City of Sparks.

Mr. Carey stated it is his privilege to bring this item to the Council and he thanked the team of Finance Director Tom Minton, Assistant City Manager Randy Mellinger, consultant Dan Wyles, former Sr. Assistant City Attorney Greg Salter, and City Attorney Chet Adams for their dedication and hard work over many months to complete this amended DDFA. He said the City Attorney has found that this document is in accordance with law and he has agreed to its form. Mr. Carey said he is making a recommendation to the City Council and the Redevelopment Agency that they approve this amendment today and provide staff with any further direction they may have.

Mr. Carey stated the City of Sparks began its redevelopment efforts in June 1999 in recognition that redevelopment would provide a powerful tool to fix the blighted areas of Sparks located in the Conductor Heights area south of Interstate 80, the old commercial area along Oddie Boulevard, and yes, a blighted area in what is today the beautiful Sparks Marina. We began with an overall property value of $6.9 million and, as of today, that property value has grown to over $55 million. This project has been long in its inception, and slow its deliberations to ensure the public had a financing agreement that would protect future Sparks residents and taxpayers in the event that plans don't turn out the way they are envisioned, as some times happens in real estate propositions.

We first entered into an agreement with RED Development to create Nevada's first Tourism Improvement District in April 2004. This was then amended into the original DDFA in March 2006. It is important to note that, at that time, both parties agreed that additional work would need to be done on the financing of this project. That work has been the subject of many months of study and partnership between RED Development and various professionals, managed by the City, to ensure that this agreement meets the interest of both parties and delivers a project.

Mr. Carey stated that the opportunity that is before this City Council for consideration is the construction of 1.3 million square feet of retail, restaurant, and entertainment venues which will premier the use of Nevada's sales tax anticipation revenues for the creation of a Tourism Improvement District that will deliver not less than three million visitors per year to our market. Our developer has laid this out in various components and has been joined by other private sector retailers who will be buying and building portions of this project. The tourism core, the very heart of this project, is some 600,000 square feet. A combination of retail stores and destinations would not have chosen northern Nevada without this efficient use of sales tax revenues to entice stores to grow our market and deliver upon what our City Council sought - the removal of blight from the Marina Area. The combination of this tourism must be supported by lifestyle retail in order to provide the sales tax fuel necessary to entice, lure, and otherwise secure a tourism center that will serve to prosper our community.

The anchors of our retail core today are Sheels (the worlds largest all sports sporting goods store covering over $250,000 square feet) and the new Legends Bay, a 1,000 room hotel/casino that will soon be opening on the shores of the Sparks Marina. This new casino resort will be the first new casino in our area since the Silver Legacy was built in downtown Reno. It will have a 75,000 square foot casino, convention space, restaurants, and parking structures; making it an operation that will lend its attraction to those being built by RED Development in the core of the project.

We also, as a Redevelopment Agency, have long identified the need for a third anchor for this project and have pursued baseball for many years. Baseball made a choice to locate in downtown Reno and our Council has now entertained thoughts of a special events area to provide a third anchor to this center. Should this third anchor, a sports event arena, not be successful, we would be able to build an additional 40,000 square feet of retail.

Mr. Carey said he is very proud of what of our Agency has accomplished in the elimination of blight. This project represents a tremendous opportunity for this community by adding over $149 million in available tax increment revenue to meet the needs of this community in its revitalization efforts. Our consultant, Meridian Business Advisors, has also looked at our tax potential and will be presenting additional information at this meeting which makes the tax increment revenue numbers even higher (an estimated 266 million). However, being conservative and not wanting to base our financing on 100% of what could be built, we have chosen $149 million. One project of $149 million goes a long way to provide money to revitalize the old Conductor Heights neighborhood and the Oddie Boulevard corridor and provide our citizens with a sustainable community long into the future.

We have faced many hurdles in the current financial markets with today's banking and lending conditions. Mr. Dan Wyles from Fieldman Rolapp has been with us for months; making sure that when these public financings enter the market, it will be under his good advice and some 25 years of experience assuring municipalities that their investments are well thought out and well placed. The banking and lending industry has been a challenge for RED Development. Key Bank has served them in a fifteen year relationship in many projects and that relationship is the one they are responding to with these changes in the DDFA.

One of our goals has been to ensure that we prudently finance this project and protect the interests of the public. To do that, we have created a 125 page Development, Disposition, and Financing Agreement. This is the form of agreement that is used in Nevada to control, direct, and carry out the mutual intentions of both parties to ensure that the interests of both parties are met. The 13 Articles in the agreement, if approved or modified today, will be the basis for building the successful project that the Council has sought for so long.

Mr. Carey stated it is important that he review each of the articles so that the public can hear the basis for the Council's decision and so that a record is established of the Council's consideration.

Under Article1 we agree to the parties in this agreement. STAR Bonds and the LID are under the authority of the City of Sparks. The use of TIF is under the authority of the City of Sparks' Redevelopment Agency and the third party to the agreement is

Sparks Legends Development Inc., a duly incorporated corporation in the State of Nevada, formed by a partnership at RED Development. Article 1 provides a definition of the area of the project and the sizing.

At this point there is a project description, a schedule, and a financing plan. As of this date, RED has made considerable investments in this project. They have acquired all of the properties which were contemplated in the original DDFA and have proceeded to acquire additional parcels as well. Parcels have also been sold. Olympia Gaming CRS Sparks, LLC will begin construction of the Legends Bay casino on 12.6 acres and Target Corporation is already underway with construction of a new store on 17.9 acres. All other parcels remain under the control of the developer. The City of Sparks formed Nevada's first Tourism Improvement District (TID) which will encompass more than a single entity. This was to allow the City to utilize a new tool to reinvest a portion of the sales taxes generated solely from this project site for the purpose of creating tourism in Northern Nevada. The City Council has carefully considered the requirements of the use of STAR Bonds and determined that the performa the developer is using will have a preponderance, or a majority, of its sales coming from tourism. RED is agreeing to carry out the Legends and populate the project with a retail mix that meets the intent of the law. RED has also completed its zoning entitlements and they hold a PD handbook which can lead to construction at this site and continue to comply with all the conditions that are in place in the various codes and regulations of the City of Sparks. Red will continue to seek Special Use Permits for further entitlements that will be needed during construction.

We also have the use of STAR Bonds. We will be using this tool in a very deliberate and well thought out manner. We are looking at $151 million of STAR Bonds being issued for this project in three forms. The first is a senior STAR Bond, which will be the bonds holding the highest pledge. A second form will be a mezzanine bond. This is a new, powerful tool which will serve the City well. After the center is opened and developed, we will be able to position the City to achieve the maximum STAR Bonds possible. The third tool is subordinate STAR Bonds which will be used in the third position.

Mr. Carey said he wanted it to be clear that this use of STAR Bonds is not a general obligation of the tax payers of the City of Sparks. Its success rests solely in the revenues that will be collected within the Tourism District, which is defined as the Legends project.

Another tool which will be used is the Tax Increment Financing (TIF) from the Sparks Redevelopment Agency. This section has had the most significant change since the original DDFA. The changes were brought on by changes in the banking commitment and climate and are necessary for this project to move forward to construction. Public financing markets for STAR Bonds, which are backed by only a pledge of sales tax revenue today, face challenging times in the markets they will enter in the coming weeks. We believe time for the financial markets to return to lower interest rates is in our best interest and have agreed to utilize our tax increment financing to allow us to reach those markets with our STAR Bond structure, which we believe will yield to the full recovery of the STAR Bonds associated with this project.

He said he used the term “back stop” throughout this DDFA. The original DDFA contemplated that the developer would take the sales tax from the project with a modest $5 million of tax increment coming to the project from the Redevelopment Agency. That has had to change because of the banking conditions and the outcomes of conservative evaluations of sales tax revenues. The yield of STAR Bonds needs to be bridged for a short period of time by this public agency for this project to move forward. He asked the public to listen carefully as he discussed the use of TIF and STAR Bonds in Articles 6 and 7.

Under the TIF proposal there is a range of outcomes from $13 million to $30 million. Mr. Carey stated we have put together a worst case scenario designed to demonstrate the effect of stressful conditions. He asked the Council to fully consider the disclosure case outlined in the staff report because this is the case from which he is recommending the Council to base their decisions. He said they need to be aware of the stress case and understand its outcomes because the disclosure case is highly likely to occur as a conservative outcome of this project. There are many reasons it will be exceeded by our ability to capture STAR Bonds on this project. The powerful use of the turbo clause with Star bonds will yield outcomes far better than those shown in the disclosure case. However, he is asking the Council/Agency to look closely at the disclosure. He stressed that Tax Increment Financing is not a general obligation of the City of Sparks. It is a tool, under the law, which has been provided to the Council and the revenues from TIF, in this case, are limited to the property taxes that will be collected within the bounds of the Tourism Improvement District.

Mr. Carey noted that the Developer has attached a financing plan to the DDFA. That plan shows private sources being used on this project in excess of $991 million. The full cost of STAR Bonds, the $156 million that we are committing to, carries with it costs, from its net to its full amount, which the developer has estimated to be $205 million.

A Local Improvement District (LID), a third form of financing, will also be used on this project. This is a traditional LID whereby private properties have come together to share the burden, through an assessment, of the cost of providing infrastructure that they share in common. Some $21 million will be paid in this LID. This will be the third LID in the City of Sparks and it comes with a cost of issuance of an additional $6.9 million. The LID is not a general obligation of the City of Sparks. It rests on assessments which will be collected from property tax bills, which will include an assessment for this improvement district.

Mr. Carey stated these three sources of public financing join with the millions of dollars from private investment to yield an overall project of $1.158 billion dollars. The public share, which will not change, is 18.8% of the total cost of this project - less than 20%; one dollar in four - to achieve the dreams of tourism increases in Northern Nevada and removal of blight from our City.

Article 3 sets forth general responsibility and introduces the important concept of conditions precedent. The City Council can rest assured that the City Attorney, the finance team, and the management team have worked very carefully to craft this agreement with appropriate conditions present at each future stage to ensure that the public interests, and the responsibilities of the developer and his desires, are all being met.

Article 4 is being removed from this agreement as we are no longer considering Triple A baseball. Article 5 is also being removed from this agreement. However, the sale of this property has had a fantastic outcome. Mr. Carey stated the City Council will arrive on April 14 at 11:00 a.m. to open the new Golden Eagle Regional Park. This Park will be the finest sports complex anywhere in the United States the day it opens. It has been built using the funds the City committed in the original DDFA from the sale of the Don Mello Sports complex. The developer paid more than the appraised value of the Don Mello site so that the parcel could be part of the overall success of the Legends project. The proceeds from the sale of this parcel, as well as a portion the Agency's sales tax revenues from growth were used to build the ball park, along with a contribution from Washoe County and impact fees that were collected from new development.

Mr. Carey stated that Tax Increment Financing is a tool that is given to Redevelopment Agencies for purposes of removing blight. It must be done in accordance with rigid and constantly reviewed Nevada Revised Statutes (NRS). We have adopted a plan for Redevelopment Area 2 which identifies the removal of blight and the attraction of new investment that will improve conditions in portions of our community. The primary source of funding for this project, from its inception, has been senior STAR Bonds. However, near-term market conditions will not yield all of the STAR bonds needed to make our maximum commitment of $156 million. This commitment and sharing of risk between the developer and the Redevelopment Agency are the primary change in this agreement. Under this amended DDFA, if approved, the Agency/Council will be asked to make certain findings in the suggested motion as part of our delivery of the promises we are making to the developer.

A total of 1.3 million square feet will be contemplated in the final build-out of this project, which will provide access to $149 million, at build out. Mr. Carey stated that Article 6 has been negotiated to be a pledge… a serious pledge… an irrevocable pledge… of revenues from the Legends project. This developer is entitled only to tax increment that is built on this project, inside the Tourism District, and makes no claim to tax increment from other portions of the Redevelopment Agency. Mr. Carey emphasized that this is a revenue pledge and the Agency is not permitted to make future bond commitments to the specificity and degree for the Council to layout the exact time, the exact buyer, or the exact interest rate and this is why staff has stayed within the law and made this revenue pledge.

Mr. Carey said one of the concerns present through much of our discussions with the developer is why there is no cap on the use of tax increment for this project. Because of the discussions we have had with Key Bank and the developer, he believes that this agreement is capped. Not by a number in revenue, but by a placement of a restriction on its source of revenue and on its sole legislative discretion in future bond issues to ensure that we have created a project which is building the tax increment revenues. Those TID revenues can only be utilized if there are STAR Bond eligible costs and if the project is actually in place.

Mr. Carey stated that Senior STAR Bonds will be issued and will continue to be issued to maximize the use of this tool. That is why the developer's finance plan suggests that only $13 million will ultimately be needed. In our disclosure case, that number is higher. And, in a stress case of many things going bad, it is even a higher number.

Mr. Carey stated that staff is authorized today, by the Council, to bring back the first series of TIF bonds. He said the TIF commitment that we are making today is available from the revenues that exist today and is not banking on future investments, only those that have already occurred. We are seeking $9.2 million of TIF in 2008 to aid the financing plan of this overall project. With the infusion on Senior STAR Bonds, LID funds, and $9.2 million from the TIF, substantial construction will commence at the Legends project in various phases. He stated there will be a grand opening on September 27, 2008, of the world's largest all-sports sporting goods store (Sheels) and there will be more ribbon cuttings that there have ever been in the history of this community in the next 18 months.

Mr. Carey stated the developer has gone well beyond the Phase I leasing activities required and has indicated to the City that by August 1, 2008, they will have met the second leasing hurdle. At that point we will begin the second issue of senior STAR Bonds. He reminded the Council of the turbo clause, which will allow us to pay off the STAR Bond commitments within nine to twelve years from the date this project opens and begins receiving revenues. He said is it highly likely we will be in a position to issue STAR Bonds using this turbo clause and making use of mezzanine STAR Bonds in just a few years. Once the center has opened and its revenues have stabilized, we will be able to enter the bond market under a different set of conditions. These will not be speculative conditions, but they will be based on what is actually occurring at the site. He said the use of mezzanine bonds are the way we will yield the full potential of STAR Bonds for this project.

Mr. Carey noted that there will be additional construction with the Legends Bay Casino, which will be constructing a multi-story structure that will take time. He said staff will be coming back in 2011 with a request for TIF bonds. Those bonds may be necessary if we are not able to issue sufficient senior STAR Bonds or mezzanine bonds. At that time we will make use of the TIF to take out the short-term financing being used by the lender and developer; use what has already been created on our tax roll by this project - an additional $10 million of TIF. At that point, in 2011, we want to split, above $10 million, the remaining bonding capacity between retiring additional short-term debt and achieving some of the pressing needs of the City. The Council has expressed their desire to revitalize the Oddie Boulevard corridor. Sharing the TIF capacity in 2011 will yield substantial revenues to bring this part of the redevelopment plan to fruition.

In 2012 we will need to take action because the short-term financing agreement between RED and its lender must come to an end. The developer has never indicated to the City of Sparks that they have the ability to carry debt or bonds for a log period of time. They are in the shopping center development business and use their banking arrangements to create the equity necessary for their participation. In 2012 a project will be open and associated with not less than $800 million worth of assessed valuation and will be associated with producing stabilized funds associated with retail. We will look first to the market for additional STAR Bonds and/or mezzanine bonds; however, if those tools do not cover short-term debt, we will move to make our final commitments. Those final commitments include the issuance of subordinate STAR bonds that will be privately placed with this developer. Those bonds will be the final component that the developer will hold until paid off by subsequent bonding by the City of Sparks or until the bonds are paid off.

Mr. Carey then discussed the disclosure case. In the use of TIF in the manner outlined, we are going to look closely at what we expect to occur on this project. This is the outcome that is most likely to occur. The disclosure case consists of Phase 1A: the construction of 629,000 square feet. Phase 1B is the additional construction of 474,000 square feet. Both phases will be retail which will pay sales tax into the STAR Bonds district. Phase C is the infill which will occur in space that is not leased in Phases 1A and 1B. However, at the completion of Phase I, we will have over 1 million square feet. Leasing activities will draw to a close on Phase 1B in August of this year.

The developer is actively seeking financing and actively designing Phase 2 of this project, which will yield an additional 156 million square feet. This Phase is principally located along the edge of Helms Lake at the Sparks Marina Park and along the north side of the Sheels building and the central plaza, extending north to the arena site. The developer expects to complete leasing on this 156,000 square feet by 2008. Phase 2B is another infill phase to accommodate the filling of vacant lease space. In total, 1.336708 square foot of retail in both Phase A and Phase 1 are presented in the disclosure case, along with construction of the Legends Bay Casino. This assumes that we have issued a series of STAR Bonds; Phase 1A which we begin today; a series that will follow the leasing cut off date in August, Phase 1B; and a Series 2 that will occur when the phasing, construction and leasing hurdles are met by the developer.

The disclosure case has total STAR Bond eligible costs of $165 million. The Real Estate Research Consultants' (RERC) study was done by a nationally recognized expert consultant which was retained by the City of Sparks to analyze the sale tax productions which would come from retail installations on a nation-wide basis, and more particularly, from this project. We believe, based on the moderate case presented by the RERC study, that the use of senior STAR Bonds at the completion of those three bond issues will generate $116,559 million, which, along with the TIF of $9.25 million, represents a financing short-fall of $40 million. We then apply all of the terms and conditions which are found in the DDFA. We will have a shortfall of $49 million in $2012 that can be met. Staff does not believe that under the disclosure case, we will ever have to place subordinate TIF bonds in that 2012 series with this developer. We believe they will be taken out by mezzanine bonds and the utilizations and structure previously discussed. Staff projects that in June 2012, the agency will issue additional TIF bonds in the amount of $13,502,000.00 and that will close our transaction from public financing.

Mr. Carey stated that under the disclosure case the City of Sparks will have yielded to itself a total of $138 million of tax increment revenue and utilized $3 million in TIF Bonds. We will retain 82.5% of the revenues which are coming from this project. RED Development, under the disclosure case, will have received $7,339,000.00 in tax increment revenue and we will have issued $22 million worth of bonds (the $13 million in 2012 and the $9.25 million being issued today).

He said the ratio is very important. The Agency reinvestment ratio is 17.5% of the property taxes created through the Legends project being reinvested in the project; and 82.5% (or over $142 million) being used in the public interest. This is a good return on our investment.

Mr. Carey then discussed the stress case; a case which could happen. We have designed this case to stress the STAR Bond production, which is the threat that exists to the City because we are the backstop for the lack of production of STAR Bonds. We believe that if the developer stops at the completion of Phase 1A and does no more construction, and if the Legends Bay Casino is not built, we would face our toughest position from which to generate STAR Bonds. In that case the STAR Bonds would reach $132 million and we will have issued only senior STAR Bonds in the amount of $65 million dollars. We would have issued the 2008 bonds of $9 million. Under the stress case we would be looking at obligations in excess of $67 million. By applying the tools of this development agreement, we would be in a position to pay off our obligations in June of 2012. The application of our interest is not our friend and the cost would rise to $92,000,732.00 because we will have issued private subordinate TIF Bonds and Agency subordinate STAR Bonds by this time. Under the stress case, the STAR Bonds would continue to produce excess revenues associated only with Phase 1A and generate an additional $34 million. Our TIF bonding would rise to $29 million and our use of available STAR Bonds from our revenue stream would be an additional $29 million. These are the sources that would pay off a worst case scenario. The stress case would change the Agency's reinvestment ratio, but the City would still have $91 million to invest into public improvements and will have made a 43% investment in the RED's project and will retain for its own use 57% of the revenues.

Mr. Carey said Article 6 continues the discussion and disclosure of how each of the bond measures will be carried out. We have the potential for TIF Bonds to be placed in the hands of the developer and we want to ensure that the developer retains those or sells them no more than twice to what is called a "qualified institutional buyer." This is to insure that the persons taking this type of public debt understand the restricted revenue pledges associated with it and are qualified to make those decisions. Article 6 also covers the commitment of Legends revenues to the retirement of the STAR Bond shortfall and reserves for the Agency (from the Legends revenues) over $1 million in 2009 and $2 million in 2010, along with the revenues we will enjoy from the balance of the Agency. Funds in excess of these amounts can, and should be, used to retire as much of the outstanding commitment by the Agency as quickly as possible, as interest is not our friend.

Throughout this process, we have included an independent financial consultant to examine each of our future bonding decisions. We want the bonding decisions to be placed before the Council when all conditions are known. General provisions associated with the use of tax increment financing are addressed in Article 6. They include the requirement for the developer to follow prevailing wage requirements in the execution of this project.

Article 7 has been discussed to some degree under the presentation on Article 6. It is the primary source of funding and the article that provides the muscle for this project to come to fruition. It allows us to use senior STAR Bonds, mezzanine bonds, and subordinate bonds to bridge these difficult financial times. We have affirmed that the TID was properly formed and the DDA places limitations on the maximum amount of STAR Bonds that are being pledged in this agreement; $151 million, plus $5.5 million associated with prevailing wage impacts and an amount related to interest on private STAR debt on the subordinate STAR Bonds held.

The foregoing represents the maximum STAR Bond obligations that the City is considering. Mr. Carey said he spoke earlier about the proper use of Conditions Precedence and these are employed in each of the mechanisms that the Council will employ to issue STAR Bonds in its first senior phase. He emphasized that we are using a way of protecting the public, and this is being protective of our coverage ratios. The City is using 165% coverage, based upon the advice of experts in this area, to provide for having 165% of the revenues needed to meet the obligations associated with our bonds. The 65% is the form of insurance to ensure that we will meet the commitments that we are making for the bond holders. The developer will need to build and operate the buildings and we will also need to have completed the LID.

In this structure we move through STAR Bonds until we get to a point, later in the project, when we will begin to consider the use of lower coverages for the debt the developer will hold in subordinate STAR Bonds. In that case we must have less coverage because those are held by the developer. These bonds require 110% coverage, with appropriate conditions present. We also cover the conditions precedence for mezzanine bonds, which we believe will be a very powerful tool.

He emphasized that the developer is only using STAR Bonds for things which are qualified for their use. The term “eligible STAR Bond costs” is very important to the City. In our use of any tax increment financing, we are designing this project so we will be purchasing eligible STAR Bond improvements.

Mr. Carey said he would not discuss the Local Improvement District (LID), stating Nevada law will guide its implementation and it is meeting the criteria for lien to value ratio or through letters of credit enhancement. He said some $21 million will be employed using this tool.

He then discussed Article 9, which discusses prevailing wage. He stated this received significant review by the City Attorney and Deputy Community Development Director Neil Krutz and we believe we are in full compliance with Nevada's prevailing wage requirements. We are using public dollars on this project and are following closely the statutes which are associated with that. He said this developer understands how important his compliance will be and the penalties they would face should they not comply with these requirements. They must maintain fair employment practices and provide opportunities to all members of our community.

Mr. Carey said Articles 10 through 13 are largely unchanged from the original DDFA and he would not discuss them unless the Council had questions. He then invited the developer to make a presentation regarding the proposed project and DDFA.

Council Member Mayer asked for clarification on the mezzanine bonds. The City's Financial Advisor, Dan Wyles of Fieldman Rolapp and Associates, explained how mezzanine bonds fit into the financing for the project.

Council Member Mayer asked if the sales taxes from construction of the project are captured under the tax increment district for the bonds. Finance Director Tom Minton stated that the Department of Taxation has requested an opinion from the Attorney General on this issue; however, we have not yet received an answer. Mr. Minton stated that the City's position is that with the creation of the tourism improvement district, if title passes on goods within that district, then we are entitled to the use tax.

Council Member Carrigan asked for confirmation that the biggest change to this DDFA is that now we are putting up tax payer money in the form of TIF to cover the developer's short term debt obligation. Mr. Minton responded that to fully secure the $156 million pledge, yes, we will now be using TIF.

Council Member Salerno asked for clarification regarding the provision for a substitute manager under Article 10; page 26. Mr. Carey stated that RED currently has a manager for the operation of the retail center; the same manger that opened their project in Kansas City. This provision states that they must maintain a manager capable of leading the center and that manager must be approved by the City. We want to make sure that RED continues the management of the center to achieve its' greatest potential.

Mr. Carey introduced Mr. Larry Thiess, who was selected to open Sheels. Mr. Thiess stated he moved to Sparks last July and has been working to train a management team for the store.

Mr. Steve Graham of RED Development thanked the Council and City staff for their vision which has created this project. He said if it had not been for the work that was done by the City/Agency at the Marina and the development of a Tourism District, this project would not be possible. He thanked everyone who worked so hard to put this deal together and played a short video promoting the Legends at Sparks Marina project.

Mr. Graham stated that Council Member Schmitt had asked for some research regarding the economic impacts of this project. A senior analyst with Meridian Business Advisors, stated they were retained to conduct an economic impact analysis of the Legends at Sparks Marina and that the analysis was done in conjunction with the Center for Regional Studies at the University of Nevada, Reno. She gave a brief project description which included the anticipated finished size of the project and the cost projections. After reviewing the methodology of the study, the analyst briefly discussed the impacts of the construction of the project on our economy, as well as the jobs generated by that construction. She also reviewed the impact of the opening and operation of the retail center and the estimated economic impact on our region.

Council Member Mayer asked for more detail regarding the impacts of the project throughout the community. The analyst stated that the developer will spend $471 million buying goods and services to vendors and paying salaries to employees. Then the employees and the vendors for the development will, in turn, spend money within the local economy. This would be an indirect impact. The money that is spent by local businesses would have an induced impact.

The financial advisor for RED, Mr. Gerome Morinan, responded to a question Mr. Carey asked in his presentation: in the financial plan there is a $205 million figure shown for STAR Bonds, yet we are pledging a maximum amount of STAR Bonds. Mr. Carey wanted Mr. Morinan to explain what makes up the difference between the maximum pledge we are making and the $205 million figure. The advisor explained that in order to raise net proceeds of $156 million in bonds, we will have to issue gross bonds in the amount of $205 million. The gross proceeds will include capitalized interest; debt service reserve funds; underwriter fees, and reimbursement of consultants, etc. The capitalized interest will pay back the bonds until such time as there is sufficient sales tax to begin paying back the bonds. The debt service reserve is required by the bond holders and is approximately ten percent of the bonds. If for any reason the revenues are not sufficient to make the bond payment, the reserve would be used to make the payment. The reserve fund does accrue interest and when the bonds are almost paid off, the reserve will be used to make the final payment on the bonds.

Council Member Carrigan asked RED's Financial Advisor about using tax payer money in the form of TIF for this project. He emphasized that he is in favor of this project, but he was concerned about the recent development of using TIF to bridge the shortfall between STAR Bonds and RED's investment. He said it makes the City a venture capitalist and he felt government should not be in the venture capital business. The Financial Advisor stated that RED's construction loan has to have a point of repayment because the lender is not going to let RED borrow money for construction with a repayment term of 20 years. Typically a construction loan is around three years and RED has to show how they are going to repay the loan within that time limit. The typical process is that after the project is complete, a developer would go to a different type of lender to refinance the project, which is what RED is planning to do. He explained that RED's financing plan and the amount of money their bank will let them borrow was based upon the amount of STAR Bonds for the project. However, seven or eight months ago the public financing market has drastically changed and the interest rates went up. This caused a $40 million shortfall, from the amount RED originally expected to receive in STAR Bond funds.

Council Member Carrigan said the $40 million shortfall is now being made up with TIF. He said according to the staff report, we can't use just a little bit of TIF, but the entire amount of TIF. If the market starts going south, the gap gets bigger. He said he had no problem with using STAR Bonds, but he felt we should not use TIF to make up the shortfall in bond financing.

Council Member Carrigan stated that he also had concerns regarding the fact that as of September 15, 2009, RED could sell the project to someone else. Mr. Graham stated this is a typical clause in most of their development agreements; however, they have a very significant financial commitment to this project and their company has a history of holding their shopping centers for the long-term and they have sold very few in the many they have developed in the last 12 years. He said it would be a very unusual circumstance that would allow a developer to sell a project before it is completely built and leased and operational.

Council Member Carrigan stated the big contributor to TIF is the hotel/casino and he asked what would happen if, for some reason, the casino is not built. Mr. Graham stated that at this time the hotel/casino has contractual obligations and performance requirements and they have already purchased the property. The Financial Consultant stated that they have very strong interests in making sure that the casino goes forward. He emphasized that there are a lot of mechanisms in place to minimize the impact of the TIF.

Mr. John Griffin, on behalf of Olympia Gaming, stated they will not be seeking TIF money and it has been their position that they are not going to receive any public money for this project. Mr. Carey clarified that there is an LID assessment on the property for public improvements.

Council Member Schmitt asked who had authorization on behalf of RED to approve any changes in the DDFA that might be made at this meeting. Mr. Graham responded that this document has been signed and approved by the banks, the managing partners, etc., and therefore, they were not in a position to approve any changes at this meeting. Council Member Schmitt expressed disappointment that no changes could be made in the agreement, stating it seems to be a "take it or leave it" proposition. Mr. Graham stated that if the Council could not support this agreement, he would request a continuance so that staff and RED could work through any issues. He said he would never look at this as a "take it or leave it" agreement.

Council Member Schmitt said a lot of effort has gone into making sure that this agreement is right for both parties and he felt there has been plenty of opportunity for any of the Council to voice their opinion on this document.

Mr. Graham introduced Mr. Dennis McGovern, who will be the manager of the Legends project. Mr. McGovern stated that he has been in the industry for approximately 20 years and this is the seventh shopping center he has been associated with. He said that as a shopping center manager for RED Development, he felt an obligation to be an active member of a community and he will be an active member of the Sparks community.

Mr. Carey noted that the suggested motion for the Council is a two part motion and includes findings as disclosed on page 31 of the staff report.

Council Member Mayer asked for information regarding the proposed arena. It was noted that the arena is a "work in progress." Mr. Carey clarified that the City Redevelopment Agency is acquiring, through this agreement, the site of the arena. There will be a period of time where we are the owner of that property and we will work with the developer to build an arena; however, if we are unable to get through the financing of this facility, it will remain in the agreement to be developed as additional square footage.

Council Member Salerno thanked the council members who worked so hard to make this dream a reality. He noted that some of the council members had reached their term limits, including him, and he was proud to have been a part of this project.

Council Member Mayer stated that he is torn between the risks and benefits of this project to the City; but ultimately he felt that the benefits outweighed the risks.

Mayor Martini said he has watched the project evolve from a lush pasture; to a big polluted hole in the ground filled with water; to ultimately, a terrific marina. He said if this was 2004 and the economy was strong, he would not approve this agreement. However, the economy is not strong right now and we need to support our local economy. He said this is our local "economic stimulus package" and will benefit the whole region. We have an opportunity to redefine what a tourist destination resort is and when this is all said and done, we will be proud of this project. He said this will not affect the general fund in any way and he is very in favor of this project.

Council Member Schmitt stated that five years ago this property was a blighted area and no one ever thought a project like this could happen. He said this project has been through many revisions in since it was first proposed, but he believed this project will set the bar for tourist destinations on the West Coast and it will be a substantial benefit to this community.

A motion was made by Council Member Salerno, seconded by Council Member Smith, to approve the amendment to the Disposition, Development and Financing Agreement with Sparks Redevelopment Agency and Sparks Legends Development Incorporated. Based on Findings 1 through 9, I move that the City Council consent to the Agency's purchase of those properties described in Article 6, Section 6.05.A through and including 6.05.C of the DDFA. Council Members Mayer, Salerno, Smith, Schmitt, YES. Council Member Carrigan, NO. Motion carried.

RECESS

Time: 10:15:52 a.m.

Mayor Martini called a five minute recess to allow those attending the meeting to hear the discussion on the Legends project to leave the council chambers, before continuing with other business.

4.
Award of the Contract for Golden Eagle Regional Park Concessions

Time: 10:25:26 a.m.

An agenda item from Parks and Recreation Director Stan Sherer recommending the City Council award to Bully's Sports Bar, Inc the Contract (RFP #07/08-011) for the Golden Eagle Regional Park (GERP) Concessions. Anticipated annual revenues to the City from the agreement are $14,000.

Mr. Sherer stated that this is a partial concession contract for GERP. He said we have no intention of opening the upstairs portion of the building and this contract was only for the separate, downstairs portion of the concession building. He stated we are still in negotiations with the contractor for a long term agreement on the upstairs and downstairs concessions. We are not fully aware of what the tenant improvements need to be in order to meet the contractors needs or how we are going to finance those tenant improvements. As a result, this agreement if for the downstairs area only so we can provide service during the upcoming year. The agreement contains a clause that provides for negotiation of a new agreement by October 1, 2008, or we will have to issue another RFP and solicit another contractor.

Mr. Sherer noted that normally the concession contract is for a longer period of time, but there are unresolved issues with the new ball park. We have to determine what the market will be and what a reasonable amount is to charge for a lease on the upstairs space. He noted that the item following this one was the concession agreement for Shadow Mountain Park and it was for a three-year term.

Council Member Smith remarked on how nice the ball park looked and how well the construction was progressing.

A motion was made by Council Member Carrigan, seconded by Council Member Smith, to approve the contract with Bully's Sports Bar, Inc. for concession operations at the Golden Eagle Regional Park. Council Members Mayer, Salerno, Smith, Carrigan, Schmitt, YES. Motion carried.

5.
Award of the Contract for Shadow Mountain Concessions

Time: 10:30:19 a.m.

An agenda item from Parks and Recreation Director Stan Sherer recommending the City Council Contract award to Goodi's Fresh Squeezed Lemonade the contract (RFP #07/08-018) for the Shadow Mountain Concessions. The annual estimated revenue to the City from this contract is $10,000 to $12,000.

Mr. Sherer said Goodi's is the same contractor that runs the concession at Sparks Marina. Under this agreement we will receive 15% percent of the gross proceeds, annually. This contractor was 9% more than any of the other respondents to the request for proposals (RFP).

Mayor Martini asked if it works out better to have a percentage contract or a flat fee contract. Mr. Sherer stated that in a concession of this size, the percentage works well. However, when we finalize the GERP contract, we will negotiate a per square foot charge because of the size of the operation.

A motion was made by Council Member Smith, seconded by Council Member Salerno, to award the contract with Goodi's Fresh Squeezed Lemonade for concession operations at the Shadow Mountain Park. Council Members Mayer, Salerno, Smith, Carrigan, Schmitt, YES. Motion carried.

6.
Comments from the Council and City Manager

Time: 10:31:45 a.m.

None.

7.
Adjournment

Time: 10:31:55 a.m.

There being no further business, the meeting was adjourned at 10:31 a.m.

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Mayor

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City Clerk

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