DOWNTOWN LAS VEGAS

City of Las Vegas Redevelopment Agency
Council Chambers • 400 Stewart Avenue
Phone - 229-6011 [Voice] 386-9108 [TDD]

MINUTES

Meeting of
APRIL 20, 2005
9:00 A.M.

(Following the morning session of the City Council Meeting)

Called To Order: 12:55 P.M.
Adjourned: 1:27 P.M.

REDEVELOPMENT AGENCY	PRESENT	ABSENT	EXCUSED
CHAIRMAN OSCAR B GOODMAN	☒	☐	☐
MEMBER GARY REESE - VICE-CHAIRMAN	☒	☐	☐
MEMBER LARRY BROWN	☒	☐	☐
MEMBER LAWRENCE WEEKLY	☒	☐	☐
IEMBER MICHAEL MACK	☒	☐	☐
MEMBER STEVE WOLFSON	☒	☐	☐
MEMBER LOIS TARKANIAN	☒	☐	☐
DOUG SELBY, EXECUTIVE DIRECTOR	☒	☐	☐
BRADFORD JERBIC, CITY ATTORNEY	☒	☐	☐
BARBARA JO RONEMUS, SECRETARY	☒	☐	☐

APPROVED BY REFERENCE JUNE 15, 2005

ATTEST:

SECRETARY

CHAIRMAN

AFFIDAVIT OF MAILING

(Mailing required under the provisions of NRS Chapter 241)

STATE OF NEVADA)
) ss
COUNTY OF CLARK)

Paula Clark, an employee of the City of Las Vegas, Nevada being first duly sworn, deposes and says that on the **14th** day of **April, 2005**, a copy of NOTICE, the attached of which is a true and correct copy of the Notice – re: **Redevelopment Agency Meeting** to be held on the **20th day of April, 2005**, was deposited in the United States Mail, Postage prepaid, First Class Mail, to each person and/or organization whose name appears on the list maintained in the Office of the City Clerk.

Paula Clark

SIGNATURE

City Clerk
DEPARTMENT

Subscribed and sworn to before me this

14 day of April, 2005

NOTARY PUBLIC in and for said County and State

YDOLEENA YTURRALDE
Notary Public State of Nevada
No. 04-93365-1
My appt. exp. Nov. 18, 2008

AFFIDAVIT OF ELECTRONIC MAILING (email)

(Mailing required under the provisions of NRS Chapter 241)

STATE OF NEVADA)
) ss
COUNTY OF CLARK)

Paula Clark, an employee of the City of Las Vegas, Nevada being first duly sworn, deposes and says that on the **14th** day of **April, 2005**, a copy of NOTICE, the attached of which is a true and correct copy of the Notice – re: **Redevelopment Agency Meeting** to be held on the **20th day of April, 2005**, was electronically mailed (emailed) to each person and/or organization whose name appears on the list maintained in the Office of the City Clerk

Paula Clark

SIGNATURE

City Clerk
DEPARTMENT

Subscribed and sworn to before me this

14 day of April, 2005

YDOLEENA YTURRALDE
Notary Public State of Nevada
No. 04-93365-1
My appt. exp. Nov. 10, 2008

NOTARY PUBLIC in and for said County and State

AFFIDAVIT OF POSTING
(Posting required under the provisions of NRS Chapter 241)

STATE OF NEVADA)
) ss
COUNTY OF CLARK)

Paula Clark, an employee of the City of Las Vegas, Nevada being first duly sworn, deposes and says that on the **14th** day of **April, 2005** at the hour of **4:00 P.M.** there were posted copies of a NOTICE, the attached of which is a true and correct copy of a **Redevelopment Agency Meeting** to be held on the **20th day of April, 2005,** at **9:00 A.M.,** Las Vegas, Nevada; to be posted on Public Bulletin Boards at the following locations

1. City Clerk's Bulletin Board, 400 Stewart Avenue, 2nd Floor Skybridge (in the walkway area next to the entrance of the Human Resources Department)
2. Court Clerk's Office Bulletin Board, City Hall Plaza, 400 Stewart Avenue (near the entrance to the Court Clerk's Office)
3. Las Vegas Library, 833 Las Vegas Blvd.
4. Clark County Government Center, 500 S. Grand Central Parkway
5. Grant Sawyer Building, 555 E. Washington Avenue

Paula Clark
SIGNATURE

City Clerk
DEPARTMENT

Subscribed and sworn to before me this

14 day of April, 2005

NOTARY PUBLIC in and for said County and State

YDOLEENA YTURRALDE
Notary Public State of Nevada
No. 04-93365-1
My appt. exp. Nov. 18, 2008

City of Las Vegas

REDEVELOPMENT AGENCY AGENDA

REDEVELOPMENT AGENCY MEETING OF: APRIL 20, 2005

- CALL TO ORDER

MINUTES:
CALLED TO ORDER BY CHAIRMAN GOODMAN AT 12:55 P.M.

PRESENT: CHAIRMAN GOODMAN and MEMBERS REESE, BROWN, MACK, WEEKLY, WOLFSON, and TARKANIAN

ALSO PRESENT: DOUG SELBY, Executive Director, BRAD JERBIC, City Attorney, and BARBARA JO RONEMUS, Secretary

- ANNOUNCEMENT RE: COMPLIANCE WITH OPEN MEETING LAW

MINUTES:
ANNOUNCEMENT MADE: Posted as follows:
City Clerk's Bulletin Board, City Hall Plaza, 2nd Floor Skybridge
Court Clerk's Office Bulletin Board, City Hall Plaza
Las Vegas Library, 833 Las Vegas Boulevard North
Clark County Government Center, 500 So. Grand Central Parkway
Grant Sawyer Building, 555 E. Washington Avenue
(12:55)
3-1839

City of Las Vegas

Agenda Item No. 1

AGENDA SUMMARY PAGE

REDEVELOPMENT AGENCY MEETING OF: APRIL 20, 2005

DEPARTMENT: BUSINESS DEVELOPMENT
DIRECTOR: SCOTT D. ADAMS

☐ CONSENT ☒ DISCUSSION

SUBJECT:
APPROVAL OF THE MINUTES BY REFERENCE FOR THE MEETING OF FEBRUARY 2, 2005

Fiscal Impact:

☒	**No Impact**	**Amount:**
☐	**Budget Funds Available**	**Dept./Division:**
☐	**Augmentation Required**	**Funding Source:**

PURPOSE/BACKGROUND:

RECOMMENDATION:

BACKUP DOCUMENTATION:
None

MOTION:
REESE - APPROVED by Reference - UNANIMOUS

MINUTES:
There was no discussion.
(12:55)
3-1849

City of Las Vegas

Agenda Item No. 2

AGENDA SUMMARY PAGE

REDEVELOPMENT AGENCY MEETING OF: APRIL 20, 2005

DEPARTMENT: BUSINESS DEVELOPMENT
DIRECTOR: SCOTT D. ADAMS

☐ CONSENT ☒ DISCUSSION

SUBJECT:
REPORT AND POSSIBLE ACTION ON A POLICY FOR USE OF TAX INCREMENT FINANCING (TIF) AND OTHER MATTERS RELATED THERETO - WARDS 1, 3 AND 5 (TARKANIAN, REESE AND WEEKLY)

Fiscal Impact:

☒	No Impact	Amount:
☐	Budget Funds Available	Dept./Division:
☐	Augmentation Required	Funding Source:

PURPOSE/BACKGROUND:
The Redevelopment Agency has entered into three TIF Owner Participation Agreements for: Las Vegas Premium Outlets; World Market Center; and, the IRS Building. Recent TIF applications and inquiries have raised the question about the applicability of TIF for market rate residential projects and brought about the need for the discussion and possible adoption of a TIF policy. Staff requests direction from the Redevelopment Agency Board as to when it is appropriate to enter into TIF agreements.

RECOMMENDATION:
Direct staff accordingly.

BACKUP DOCUMENTATION:
1. Agenda Memo
2. Submitted after meeting. hardcopy of PowerPoint

MOTION:
REESE - Motion made to include all comments with direction to staff to proceed with looking into TIF rebates for businesses and condominiums in the redevelopment area - UNANIMOUS

MINUTES:
NOTE: A Verbatim Transcript is made a part of the Final Minutes.

APPEARANCES:
OSCAR GOODMAN, Chairman
SCOTT ADAMS, Director, Office of Business Development
LARRY BROWN, Member
BRAD JERBIC, City Attorney
STEVE WOLFSON, Member
MICHAEL MACK, Member
RICHARD BRYAN, Senator
GARY REESE, Member
LOIS TARKANIAN, Member
(12:55 - 1:24)
3-1862

City of Las Vegas

AGENDA MEMO

REDEVELOPMENT AGENCY MEETING DATE: APRIL 20, 2005
DEPARTMENT: OFFICE OF BUSINESS DEVELOPMENT
ITEM DESCRIPTION: REPORT AND POSSIBLE ACTION ON A POLICY FOR USE OF TAX INCREMENT FINANCING (TIF) AND OTHER MATTERS RELATED THERETO - WARDS 1, 3 AND 5 (TARKANIAN, REESE AND WEEKLY)

1. The City of Las Vegas Redevelopment Agency has participated in qualifying projects primarily through one of four ways: (1) discount below fair market value on real property; (2) direct participation in the form of a conditional grant; (3) direct participation through the Agency's Commercial Visual Improvement Program (VIP); and (4) through tax increment financing.

2. To determine whether a project qualifies for financial participation, and the appropriate means of such participation, the Agency has adopted a Redevelopment Plan Checklist which serves as a project application. Applicants must submit:

A. Description of the development
B. History of the development entity
C. Resumes of all principals and key individuals
D. Organizational structure of the development entity
E. Narrative description of project
F Schematic drawings of a conceptual site plan
G. Site ownership information
H. Breakdown of sources of funds
I. Pro-forma profit and loss statements (at least five years)
J. Current financial statements
K. Current banking relationships
L. Performance bond references
M. Demonstration that performance bonds are required (finding of necessity)
N. Explanation how project complies with Redevelopment Agency plan
O. Employment plan

3 This Checklist has been designed to enable the Agency, at the time of a Project application, to receive sufficient information to ensure that potential assistance from the Agency would comply with Community Redevelopment Law (NRS 279 et. seq.), and to ensure that the Agency only undertakes projects for which no other reasonable means of financing are available.

4. The Agency's administration of the Redevelopment Plan and the Redevelopment Checklist has enabled the Agency to demonstrate, for projects receiving financial participation, that:

(a) The buildings, facilities, structures or other improvements are of benefit to the redevelopment area or the immediate neighborhood in which the redevelopment area is located (NRS 279 486(1)(a)); and

(b) No other reasonable means of financing those buildings, facilities, structures or other improvements are available. (NRS 279.486(1)(b))

5 NRS 279.486(2) requires the City of Las Vegas, as the legislative body of the Agency, to consider as the basis for its findings·

(a) Whether the buildings, facilities, structures or other improvements are likely to:
(1) Encourage the creation of new business or other appropriate development;
(2) Create jobs or other business opportunities for nearby residents;
(3) Increase local revenues from desirable sources;
(4) Increase levels of human activity in the redevelopment area or the immediate neighborhood in which the redevelopment area is located;
(5) Possess attributes that are unique, either as to type of use or level of quality and design;
(6) Require for their construction, installation or operation the use of qualified and trained labor; and
(7) Demonstrate greater social or financial benefits to the community than would a similar set of buildings, facilities, structures or other improvements not paid for by the agency.

(b) The opinions of persons who reside in the redevelopment area or the immediate neighborhood in which the redevelopment area is located.

(c) Comparisons between the level of spending proposed by the agency and projections, made on a pro forma basis by the agency, of future revenues attributable to the buildings, facilities, structures or other improvements.

6 For past projects receiving tax increment financing assistance, the Agency has satisfied this statutory "no other reasonable means" requirement by demonstrating, in a public hearing, that these projects would not go forward within the Redevelopment Area but for the financial assistance from the Agency.

7. To date, the Agency has extended tax increment financing to three projects:

(a) Las Vegas Premium Outlet Mall:
435,000 square feet of high-end retail
Estimated 300 direct jobs created and 800 indirect jobs created
Estimated project cost of $85,000,000
Estimated increased annual property taxes from new development - $219,841

Agency assistance / Special Limited Obligation Tax Increment Revenue Developer Notes over 13 years- $1,837,360

(b) World Market Center Phase 1:
Originally designed for 1,250,000 square feet of showroom space and design center. Now up to 1,350,000 square feet
Estimated 35,000 indirect jobs created
Estimated project cost of $175,000,000
Estimated increased annual property taxes from new development -$1,776,250
Agency assistance / Special Limited Obligation Tax Increment Revenue Developer Notes over 20 years - $14,565,250

(c) PH GSA, LLC (IRS Headquarters):
90,000 square feet Class A office building
Estimated project cost of $18,000,000;
Estimated 250 construction jobs created, 22 direct jobs created and 12 indirect jobs created
Estimated increased annual property taxes from new development - $182,700
Estimated amount of Agency assistance over 20 years - $960,000

8. In addition to satisfying the "no other reasonable means" test, each of these projects satisfied the following requirements

(a) demonstrate that all improvements would qualify as public infrastructure in one of two categories:

Category A – streets, curbs, gutters, water lines, sanitary sewer lines, storm drainage facilities, ramps, roads, bridges, traffic signals, paving, driveways, sidewalks, mass transit and other public transportation facilities, culverts, manholes, retaining walls, tunnels, approaches, under and overpasses, artificial lighting, off street parking improvements and structures, fencing, landscaping, site work, grading, walkways, signage, flood control improvements, and improvements for the supply, storage and distribution of water.

Category B – electricity and telecommunications services, utility, and other similar site development infrastructure costs.

(b) comply with the Employment Plan requirement – The developers agreed to promote the utilization of women, minority, disabled, and veteran-owned business enterprises who live within the area of operation for the construction phase of the project.

(c) adhere to a Prevailing Wage requirement – The Agreements resulted in the Agency providing financial incentives to the Developers in excess of $100,000. The Developers then agreed that the Project was subject to the Prevailing Wage Act and agreed to comply with the Act and all other provisions of the NRS that were applicable to the Project because of the issuance of the Notes.

9. The Agency extended tax increment financing for these three projects by issuing Special Limited Obligation Tax Increment Revenue Developer (Promissory) Notes. The amount of each Note was calculated based on the lesser of:

(a) 10% of the Total Development Costs or
(b) 100% of the total amount of the Qualifying Expenditures or
(c) The Present Value of the percentage of Projected Available Accrued Taxes negotiated between Developer and the Agency

The term of the Note was negotiated depending on the need of each project. The term of the Note for each project did not exceed the life of the Agency.

10. Based on the statutory provision that 18% of Redevelopment tax increment funds be set aside for low-income housing (NRS 279.685), and based on the definition of a low-income household as a household earning 80% of area median income (NRS 279 397), the Agency believes that the Nevada Legislature's intent was to establish specific criteria through which redevelopment agencies could offer financial assistance for residential projects.

11. The Agency is currently aware of a substantial number of market-rate residential development projects proposed for the Redevelopment Area. It is the understanding of Agency staff that market-rate residential development projects, if planned appropriately, can typically attract sufficient equity and debt participation so that public participation is not required.

12. Prior to formulating a final policy, the Agency would like formal input from its Board of Directors and from its legal counsel as to the criteria through which the Agency would consider financial participation, including tax increment financing, for market-rate residential developments planned for within the Redevelopment Area, and how such financial participation would satisfy the goals of the Agency's Redevelopment Plan and the specific requirements of NRS 279.486.

Purpose of Today's Item

Discussion of Tax Increment Financing (TIF)

City of Las Vegas

Redevelopment Agency

4/20/05
RA Mtg.
#2

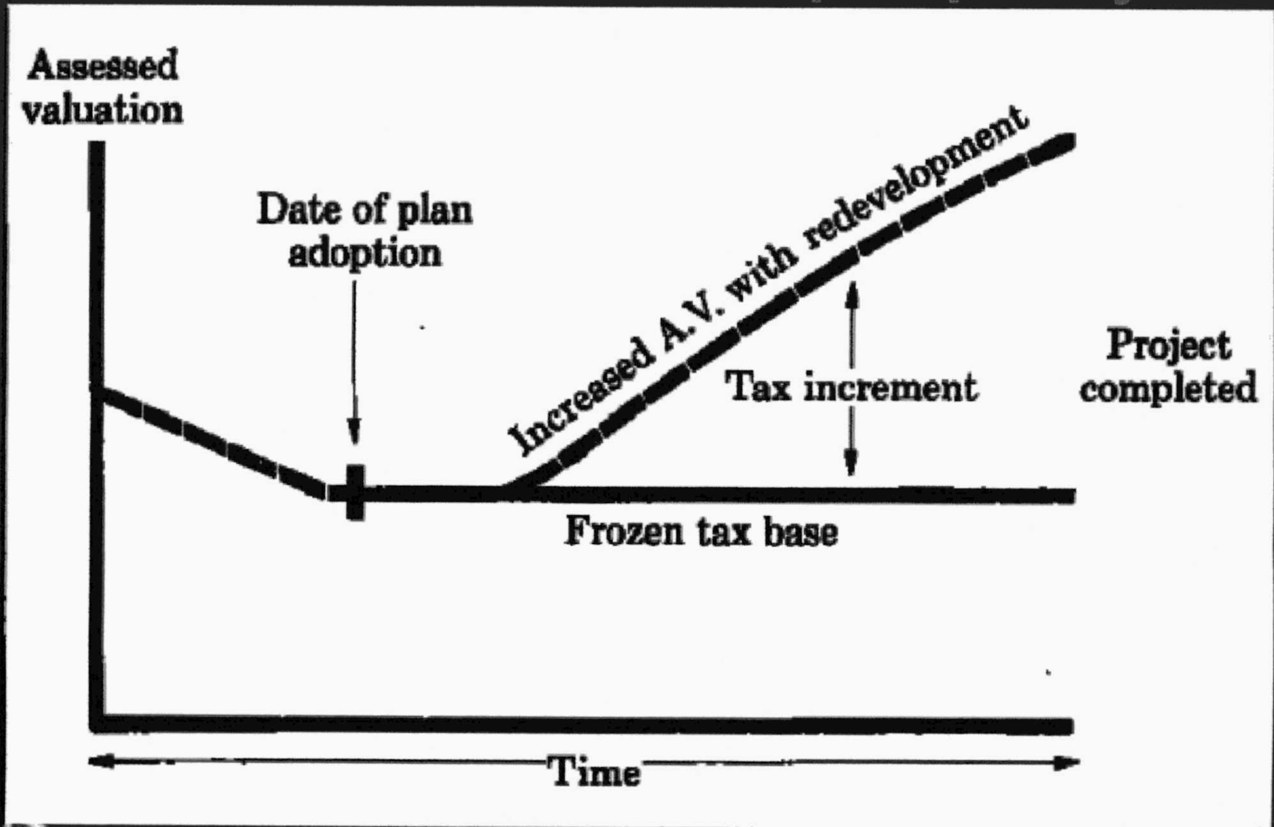
Issues to Discuss

- What is Tax Increment
- How Agency has used Tax Increment
- Past projects assisted
- Current policy and procedures

CITY OF LAS VEGAS NEVADA

What is Tax Increment

- Incremental increase in property tax



What is Tax Increment

- Capture area wide within RDA boundary
- Used as a redevelopment tool
- Authorized under State law

How Agency has used TIF

- Administration
- Planning
- Land Assembly & Infrastructure
- Incentives
- 18% set aside for affordable housing

Past Projects Assisted

- <u>Seed Projects</u>:
  - Fremont Street Experience
  - Federal Courthouse
  - Land Assembly

Past Projects Assisted

- Tax Increment Rebates:
  - Chelsea/Premium Outlet Mall
  - World Market Center
  - IRS Building

Current Policy and Procedures

- TIF project checklist
- Detailed project evaluation
- "No other reasonable means"
- "Substantial benefit to Redevelopment Area"

Policy Considerations

- Should we provide incentives to market rate high rise condos?
- Is there a need?
- Are certain locations an issue?

Policy Ramifications

- Are we creating a precedent?
  - Several others asked for TIF
  - 30 projects downtown
- For other non-residential?
  - If we TIF market rate high rise condos, combined with 3 past projects types, do we open up to all projects?

Policy Ramifications (cont'd)

- Do we open up to all projects?
- Will there be any underwriting criteria?
- May require significant staff support
  - Package contracts on front end
  - Administer contracts for compliance on back end

TIF End

Allure Background

Allure Phase I

- 404 residential units in first tower
- 1,169 average sq. ft. per unit
- Average price per unit $553,676
- 4,000 sq. ft. retail space
- 576 space parking garage

CITY OF LAS VEGAS NEVADA

Allure Phase I

- $180 million construction cost
- $223.6 million total sales price
- $3 million developer investment
- $17.1 mil. TIF Rebate over 20 yrs
- Built and sold in 3 years

Allure Site/Rendering

Decline based on:

- No need for market rate assistance
- Cited technical concerns
  - Equity
  - Financing
  - Internal Rate of Return
- Other concern: How do you TIF a condo? (not in TIF request letter)

Recommendations

- Continue current procedure of evaluating case by case
- Withhold support for market rate residential <u>at this time</u>
- In one year, reevaluate based on actual performance

VERBATIM TRANSCRIPT – ITEM 2

Report and possible action on a policy for use of Tax Increment Financing (TIF) and other matters related thereto – Wards 1, 3 and 5 (Tarkanian, Reese and Weekly)

Appearance List:

OSCAR GOODMAN, Chairman
SCOTT ADAMS, Director, Office of Business Development
LARRY BROWN, Member
BRAD JERBIC, City Attorney
STEVE WOLFSON, Member
MICHAEL MACK, Member
RICHARD BRYAN, Senator
GARY REESE, Member
LOIS TARKANIAN, Member

(12:55 – 1:24)
3-1862
29 minutes

Typed by: Angela Crolli
Proofed by: Stacey Campbell

CHAIRMAN GOODMAN

Item Number 2 is report and possible action on a policy for use of Tax Increment Financing, which is commonly known by the acronym TIF and other members (sic) related thereto. This applies to Wards 1, 3 and 5. Mr. Adams.

SCOTT ADAMS

Thank you. Good afternoon. Scott Adams, Director of the Office of Business Development. If I could get the PowerPoint up, this item is on your agenda due to the fact that over the last year or so, I've – been on board now about ten months, we've had several requests from the developers of Downtown high-rise condominiums for some level of support, in particular TIF support, for their projects. And up to this point we have, either verbally or, in one case, in writing, declined to support that, and in this case, we're really at a very appropriate and timely point in the process of discussing policy considerations that – we feel you ought to consider in evaluating whether we should support TIF financing for the development of Downtown high-rise condominiums.

But what I'd like to do is kind of back you up to square one, very quickly, and I'll try to move through this as quickly as I can, to talk a little bit about the background of TIF. What I wanted to talk about is what is Tax Increment. How we've used Tax Increment in the past as your Redevelopment Agency, the past projects that we've assisted, and what our current policy and procedures are as we administer projects.

First of all what is TIF? TIF is actually a pretty old concept. I know them personally. I did my first TIF plan right out of college 30 years ago. I know it's probably been in place for 50 years in cities or, in states around the United States. It's a very simple concept, and what it really is is, it's a definition of the increase in property taxes that occur in an area, in a redevelopment area, that result from the redevelopment of that area. And theoretically what happens is, under Nevada law, we have to determine an area slum and blighted before we can actually establish it as a redevelopment area.

So, if you look on this chart, it shows that there is a decline in property value up to the point of an adoption of a redevelopment plan. And the thinking there is that property values in the area decline to the point where it was determined to be slum and blighted and a redevelopment area established. At that point of plan adoption, the total assessed value that redevelopment area is identified and fixed and determined to be the base year. From that point on forward, the rede, the Redevelopment Agency invests in catalytic redevelopment projects to further the redevelopment of that area and the tax base in that area should increase. That increase comes from new projects that are under construction, new act, actual new taxable value added to the rolls, as well as the actual appreciation of value the entire area.

CHAIRMAN GOODMAN
Let me ask you this, when you say the entire area, you're talking about the entire redevelopment area?

SCOTT ADAMS
That's correct.

CHAIRMAN GOODMAN
So, the tax base is frozen for the entire redevelopment area as defined It's not –

SCOTT ADAMS
Well, it's actually identified. It's – not really frozen. We identify what that tax, that assessed value was at the time of plan adoption and then we measure every year how that increases. That increase in valuation results in an increase in new taxes. The, that increase goes into the RDA Special Revenue Fund.

CHAIRMAN GOODMAN
Right. But my question is, if, it's not one individual project. It's rather the entire redevelopment area.

SCOTT ADAMS
The entire area.

CHAIRMAN GOODMAN

Okay.

SCOTT ADAMS

And I'll talk a little bit about that in a minute, but unlike some states, like for example in – I think in Chicago and Illinois and a few other states, you're able to TIF an individual project. Now, we – probably could here as well, but we've chosen to draw an entire area for redevelopment area, capture all the increase in that area, put it into a special revenue fund and make investments area wide, rather than on a project by project basis. And, so that, that's really kind of the prelude to this, is, which is, we do it area wide rather than project-by-project.

And tax increments really are just the incremental taxes. They're used as a redevelopment tool. They're reinvested back in the area, in activities to further redevelopment. It's sort like retained earnings in a company. You take the retained earnings, put 'em back into the company to fuel further growth. That's the same concept behind TIF in a redevelopment area. And it's authorized under state law 'cause what you're doing is capturing new taxes and using them differently than they otherwise would be used if they went into the normal City coffers. So, it takes a state law to enable you to do that.

How we've used TIF in the past? We're currently using it for the administration of a TIF, the operation of your Redevelopment Agency, the staff. In fact, this year we're proposing and we're pushing more of our administration from General Fund over the Redevelopment Agency, so it stands on its own two feet. We do planning efforts. As we expand the Redevelopment Agency boundaries, we pay for the ex, the planning that drives that expansion and doing some sub area planning; specific areas within the RDA we do planning efforts But the bulk of the investment of TIF dollars has gone into land assembly, infrastructure and incen, and incentives. And I'll talk a little bit in a minute about some of the specific projects that we've worked on But we've gone around in the redevelopment area and made strategic purchase of property to make those available for redevelopment, to catalyze redevelopment. We've put in infrastructure and then we've got a number of incentives programs. We've done TIF rebates, tax rebates and we've done a commercial VIP program, where we actually provide grants for storefront improvements.

And then the state law; the Statute sets forth an 18 percent set aside for affordable housing. This isn't by our choice. This is by the Statute The Statute designates that 18 percent of the entire increment goes into another set aside fund for the furtherance of affordable housing as opposed to general housing.

Some of the past projects that we've assisted; these are just some examples. We've been involved using TIF financing for the Fremont Street Experience. We've laid the foundation for land assembly and infrastructure for the federal courthouse And as I said previously, we've acquired a number of sites throughout the rede, the RDA that we are turning over through negotiated sale and RFP processes for redevelopment.

Specific to the request that – we're really discussing today, we've also done what we refer to locally here as tax increment rebates. This is where we get into project-by-project TIF financing. What we do is enter into owner-participation agreements with a specific project and rebate back to that project a portion of their increase in taxes that they actually paid, and this is after the 18 percent set aside. There is 82 percent of that incremental tax increase that can be negotiated. And what we've done is split that fifty-fifty; 41 percent has gone back to the project and 41 percent stayed with the RDA. And we've done that for specified periods of time. We've done on the Chelsea Premium Outlet Mall. In that case it was for a 13-year period. We've done it on the World Market Center and the IRS Buildings for 20-year periods. It really is a negotiable thing. You can make the split less than 41 percent and you could also make that time period variable. It's a – negotiable thing based on your assessment of how deeply you feel you would need to incent or support a project.

What we do with current policy and procedures, and this, some of this is laid out in your agenda memo, in the backup that we've provided to you. We have a TIF project check list. We – go through and it's in the, on the page one of your agenda memo. A pretty lengthy list of things that we look from a project, in terms of documentation before we actually enter into or even propose to enter into an agreement on a project. We look at the background of the principles on the project, the financial capabilities, the project details itself, their cash flow, a whole bunch of issues to do a detailed project evaluation, to underwrite whether or not we should participate. And the reason for this, there's a couple of things that are required under the Statute that we have to determine before we can go forward and recommend to you an approval of a project.

One is that there are no other reasonable me, means of financing available to that particular project or developer in lieu of the use of Tax Increment Financing. And the second is that the project should provide substantial benefit to the redevelopment area. The, this, of the two issues, the most difficult one to determine is the no other reasonable means. In the – field of economic and redevelopment, that's a very, very difficult thing to determine. If you –

MEMBER BROWN
Your Honor?

CHAIRMAN GOODMAN
Excuse me, Councilman Brown?

MEMBER BROWN
Thank you and pardon the interruption. Is that, those two criteria, are they and no other reasonable means and substantial?

SCOTT ADAMS
They both have to be determined. In fact, I, I'll just remind you, at times, for example, on the commercial VIP grants, you approve resolutions, both as the City Council and as the RDA, where you make these findings in those resolutions, both of these findings before we can actually fund a project.

MEMBER BROWN
Thank you.

SCOTT ADAMS
The – no other reasonable means test is probably the most difficult. If you're trying to attract a major company in your community and you're quoted with, they're quoting several communities, you provide an, you don't provide an incentive. The other communities do. It's real easy to get out but for those funds you wouldn't get that project. When you're investing in a

redevelopment real estate project, it is much more difficult to make that reasonable means test. There're so many variables in a real estate project. Debt equity, rate of financing, the preferred rate of return on an investment group, a whole bunch of issues that make it very difficult to get at that issue. The substantial benefit to the redevelopment area is much, much easier. It's a ver, there's some very obvious things. If you run into, in a, what was a, at the time of establishment, a blighted redevelopment area and somebody builds a hundred or a two hundred million-dollar condominium project, it's pretty obvious there's going to be substantial benefit to the redevelopment area.

So, in considering a policy, as to whether to go forward with TIF rebating high-rise condominiums downtown, you, we believe you should ask several questions. One is, should we provide incentives to market rate high-rise condominiums. And also, you know, companion with that, is the need. And kind of with that, are certain locations an issue. And one of the projects that we've had come before us, there's been an indication that their area that they're proposing a project is more distressed than other parts of the redevelopment area, that – becomes a very subjective analysis You know, by definition, the entire redevelopment area has to be blighted before you can actually make the area redevelopment areas

So, but other areas within the RDA where there may be is greater need physically, in terms of distress and others, where you could establish a policy on the base of physical need as opposed to economic considerations on a project.

CHAIRMAN GOODMAN

Councilman.

MEMBER BROWN

I'm confused a little bit. Going back, those are two criteria that have to be met. Hypothetically, if Mr. Billionaire comes into our Downtown Redevelopment Area, has more money than he'll never know what to do with with a project, it's gonna create a tremendous amount of jobs and do all the things we want it to do downtown, they wouldn't even qualify for TIF because they don't meet the no other reasonable means Is –

SCOTT ADAMS
That's – where it's a hard one to get at.

MEMBER BROWN
Well, this is important so, before we go on to your last slide with the policy, yeah, this one is good. So, no other reasonable means substantial benefit to redevelopment area. That's why I asked the question. Are those mandated? Those two have to be met both and not individually.

CHAIRMAN GOODMAN
Mr. Jerbic?

BRAD JERBIC
Yes, they both have to be met by State law.

CHAIRMAN GOODMAN
Right. But, you know –

BRAD JERBIC
But if you're asking –

CHAIRMAN GOODMAN
– if a developer says –

BRAD JERBIC
Right.

CHAIRMAN GOODMAN
– that, you know, unless I get my TIF financing, I'm not going to build the project even though I may have sufficient funds. I don't know whether that may satisfy the no other reasonable means.

BRAD JERBIC
Right. I think your question goes to not if – do they have to be met but how do you meet them and can you ever meet them if you are a banker or you're a billionaire or you have the money to put into a project. I think it's fair to say that the agency has always considered the reasonableness of a project in terms of does it make financial sense to do it, even though you may have the money to do it. There have been projects the City has looked at in the past where there has been financing but it wouldn't be reasonable without agency assistance because there wouldn't be a proper rate of return or there wouldn't be, the risk was too great or something like that.

MEMBER BROWN
But if – the billionaire project wants to apply for TIF or else they're leaving downtown, they go into the next, that, could possibly discretion could be built into the no other reasonable means?

BRAD JERBIC
It – it's somewhat subjective, but it wouldn't preclude them from meeting that test. They could meet that test, depending on what else they showed.

MEMBER BROWN
Okay. I appre, thank you, Scott.

CHAIRMAN GOODMAN
And – you know, the truth be said, basically, that's the philosophy we utilize when we were dealing with Chelsea. We, they're certainly New York Stock Exchange Company, but we needed them to be down there. When we dealt with the furniture mart, I mean, they were substantial, but we needed them down there. I think it is a balance, whether we want the project so much and if they say they're not going to get it, that we can very well consider that as being no other means available.

SCOTT ADAMS

Yeah. In those three instances they were fairly reasonable applications of that test. One, you had a factory outlet mall. Not too many factory outlet malls get built in any downtowns in America. And so, I think, you, you've got a reasonable means test there. Same with the World Market Center; we – we're building the largest furnishings mart in the world. That's not something that happens everyday in any downtown, and clearly you can draw relationship to an incentive on getting something like that done. The IRS, I think it would be fair to say we're incenting the tenant not the developer to induce the tenant to come downtown And with, without the incentive, the tenant might not have committed to the project and wouldn't, and the project wouldn't have happened.

CHAIRMAN GOODMAN

And that was, in fact, the case.

SCOTT ADAMS

Right.

CHAIRMAN GOODMAN

But for the types of incentives that were given, the IRS would not have built the building down there, and we wanted to start establishing critical mass in our downtown. Okay.

MEMBER WOLFSON

Mayor Goodman?

MEMBER BROWN

It's not a – fiscal, the reasonable means it's not simply a fiscal ability to pay.

CHAIRMAN GOODMAN

No, I think it's a holistic issue.

MEMBER WOLFSON
Mayor Goodman.

SCOTT ADAMS
Right.

CHAIRMAN GOODMAN
Councilman Wolfson.

MEMBER WOLFSON
Thank you. It just seems to me from our discussions so far and some of the discussions we've had previously is that there're many, many factors that are involved in the analysis. It's a fairly, it could be a fairly detailed and sophisticated analysis and that's why we need a case-by-case approach, and that it would probably not be wise to blanketly exclude a category of applicant, such as a high-rise condominium project. Because, as, I think, Councilman Brown appropriately pointed out, these definitions are subject to different interpretations, if you will, based upon the applicant and the City's need, etcetera. So, I think, maybe I'm putting the cart before the horse, but where we need to go, this is my opinion, is to not exclude any category of applicant because a high-rise condominium or some other project that may not otherwise seem to fit for TIF benefits, might just qualify.

CHAIRMAN GOODMAN
All right. Councilman Mack, did you want to be heard?

MEMBER MACK
Thank you, Your Honor. Yesterday morning I attended a function with a bunch of people and you were the speaker at the Crystal Ball. And this is one of the areas that was discussed, was the high-rise development and – the – forecasting of what's happening in the future in the Valley. And a good majority of 'em are gonna go up, not necessarily every single project in it's – face value, but they, the sites themselves will go up, and – it's a matter of time.

But I believe that we have competition with what is offered on the Strip and the adjacency to the fine Strip resorts. And – when we look at projects in the, as a whole, in the downtown area, we have to look at 'em quite differently than the Strip type projects because, I think, we are at a disadvantage.

CHAIRMAN GOODMAN
Well, I personally, feel that we – do have to look at case-by-case. I think we do ourselves a disservice just to blanketly say we're not going to do or we're going to do it fifty-fifty or we're going to do it for ten years. I think each one has to be individualized. I think that we have to give certain incentives to those are going up first. The first ones get the better deal, and then you don't need to be as generous with the second, and you don't have to be as generous as the third. So, I think we have to look at them each project, when they come to us, they have to tell us what their timeline is, what we anticipate they're, and they have to meet these things too or else, that – would be a condition of it. They don't get it unless they're gonna do what they say they're gonna to do because we've had so many high-rise plans brought before us, and yet how many permits have been pulled?

SCOTT ADAMS
At this point, we have the So Ho Lofts under construction.

CHAIRMAN GOODMAN
Right and they didn't ask for TIF

SCOTT ADAMS
That's correct.

CHAIRMAN GOODMAN
Okay. So, that – shows an awful lot about the situation. But I think it has to be a case-by-case and if Allure wants to come forward, and Richard, you're winning right now. You shouldn't even talk be, because if you talk you're only going to go backwards. I'm telling you, but –

MEMBER BROWN
Your Honor?

RICHARD BRYAN
Everything that was said we agree with.

CHAIRMAN GOODMAN
I know you do. I know you do. Councilman.

MEMBER BROWN
Your Honor, if I may ask two questions. One is, is TIF financing available only if there's money in the TIF fund. Is that a if available type contract?

SCOTT ADAMS
No, the way it works is, we're actually giving up something we don't have yet. The – way the contracts are worded is, we commit that 41 percent out of the taxes they would pay if they build the project. And, in fact, we clearly want that to happen. We don't wanna owe a rebate on the project where the project is in tax default, where we're paying a rebate and they're failing to pay their taxes.

MEMBER BROWN
And that partially answers the second.

SCOTT ADAMS
Right.

MEMBER BROWN
Then why not use TIF purely as a incentive? Why – don't we TIF everybody until the point comes where we're gonna be in that worst case scenario.

SCOTT ADAMS

That's a very good question. I think the root to the answer that is, are you providing incentive that you otherwise wouldn't need to give up. We've got 30 projects proposed to go forward right now downtown. A couple of those have come and verbally asked for TIF and we verbally said, we don't think the market needs it right now. They've elected to go forward privately without TIF. So, we believe that a number of these projects are going to go forward, as market rate condo, condos without any public support, just the way So Ho Lofts did. And so, the issue you've got is, you can either TIF them all and – sort of overkill, guarantee that everything that would happen happens were it not for TIF, or only TIF the ones that are absolutely necessary. That might mean waiting a little bit longer to see what actually gets built and what doesn't. Sets the market conditions and then TIF those that you think need it.

The difficulty and I, in policy ramifications is underwriting one project over another. I don't, I'm, I find it very difficult, as your staff, to be in the situation of looking at one project compared to another and evaluating their proformance, their financial structure in determining one of those has a greater need than the other.

CHAIRMAN GOODMAN

Well, I think that's our determination. I – think that we as a Council, you bring it to us. But we're the ones who have to make that decision. I – think that we're the ones who have to guide the ship here. You –

SCOTT ADAMS

Okay.

CHAIRMAN GOODMAN

– and you're doing a great job. I mean, don't misunderstand me, you're – doing a great job with these developers. None of this was happening, really, with the high-rises until you became our Director. And – I think we're all absolutely delighted with it. But the basic decisions, as far as TIF is concerned, I think they're ours.

SCOTT ADAMS

Well, and let me respond to that as well. Please, don't take what I've done in writing to any developer at this point as usurping responsibility of the Council in terms of making policy decisions about whether or not we should support projects. We're in the business of separating the projects that will probably never happen from the ones that we think will happen and bringing those forward to you. So, if you respond by saying you would like to have all those projects brought before you that we believe are merit worthy and you make that decision, and we'll be glad to do that.

CHAIRMAN GOODMAN

Yes, Council, Councilman Reese.

MEMBER REESE

Yes, I, I've had, I met with two developers that are potential, may be coming into my Ward; one over on Sixth Street and one on Sahara. Both projects look very, very nice, and if they would ask me, if they would ask me do I feel like I can give them TIF money, I can, I could very quickly say absolutely. I have no problem with that. What the percentage would be, it'll be up to us, the Council. But again, though, I've always looked at this TIF money as a completed project. Once they've paid that first tax rebate, pay the taxs the first time then I'm going to give them a percentage rebate back to them. I was just telling the Mayor that I've always looked at it as kind of like going into a casino and playing Keno and hitting a $100,000 Keno ticket and I got to give the government $40,000 of it. I'm still tickled to death because I got $60,000, and to me that's where I look at it, is the City, if we get these two projects built on Sixth Street and Sahara, then we wouldn't be getting that money if they didn't build them. And so, can I promise them some of their tax money, as far as I'm concerned, heavens yes.

CHAIRMAN GOODMAN

Well, and I – think something that has not yet been discussed, and I hope I'm understanding these, understanding this, but let's assume on the – tax rebate so to speak, that can't be put in the developer's pocket. That has to go back into the infrastructure. Isn't that correct?

SCOTT ADAMS

Yeah. That's, I'm glad you brought that point up because it's not simply us providing them 41 percent tax rebate. There are several statutory obligations that are required to go into an owner's participation agreement. One is that the – TIF contribution of rebate has to go against certain categories of expenses. We've laid that out, I think, in page two or three, the third page of the your Agenda Staff Memo, and that, basically is, public infrastructure. So, we have to find enough public infrastructure in the project that totals up the total of their TIF rebates, so that there's a dollar for dollar exchange hereof of that kind of expense and – the rebate.

There's two other obligations, and this is where a number of developers have elected not to go forward; one is they have a prevailing wage requirement for any assistance of a hundred thousand dollars or more. Right now, one of the biggest problems that all the high-rise condo developers are facing, the zooming cost of high-rise construction. And we've had a couple say, thank you very, no thanks, we don't want to get into a prevailing wage commitment. We're trying to keep our construction costs lower. The amount of TIF contribution doesn't compensate for the increase in project costs that prevailing wage will impose on the project. So, they look at it from a project feasibility standpoint. The dollars of help don't overcome the increase to the project cost of prevailing wage. And so, we're gonna, we'll probably see a few of those drop out, self-imposed because they don't want prevailing wage.

The third is employment plan requirement. There is a requirement under the Statute for the developer, the project principals to have an employment plan that looks at diversity and other issues in the hiring of – persons in the project. So, those issues impose other standards that – also become policy constraints.

MEMBER REESE

Your Honor, if I could.

CHAIRMAN GOODMAN

Yes, Mayor Pro Tem.

MEMBER REESE
One other comment I want to make also is that the other sixty percent, the other 41 percent goes back into the RDA for other, for you or the Council to make decisions on other developments within the Redevelopment area.

SCOTT ADAMS
The –

MEMBER REESE
So, the – more – that we get built the more money they receive in these taxes, the more, the bigger ability that we have of helping some of the existing businesses to help redevelop them –

CHAIRMAN GOODMAN
You're correct.

MEMBER REESE
– in the redevelopment area.

SCOTT ADAMS
Exactly. If every project that we were to TIF rebate, we only give up the maximum of 41 percent of their increase. Eighteen percent goes into the affordable housing set aside and the other 41 percent goes into the RDA Special Revenue Fund.

MEMBER REESE
That's right.

CHAIRMAN GOODMAN
Very good. Thank you. Anything else?

MEMBER TARKANIAN
Mr. Mayor?

CHAIRMAN GOODMAN
Yes.

MEMBER TARKANIAN
Could I just ask legal counsel, by taking this more subjective means, it would, it's not going to put us into any difficulties legally, is it?

BRAD JERBIC
No. All you doing today is considering whether or not you want to include condos as a potential recipient of TIF funds. We're not making any decisions today as to whether or not a particular project qualifies.

CHAIRMAN GOODMAN
I think you should say high rises.

BRAD JERBIC
High rises.

CHAIRMAN GOODMAN
Instead of condos.

MEMBER TARKANIAN
Thank you.

BRAD JERBIC
I'm sorry. Stand corrected.

CHAIRMAN GOODMAN

That's – our philosophical discussion, correct? All right. Well, Mayor Pro Tem, do you have a motion.

MEMBER REESE

Actually, I'd like to incorporate all the comments made. I feel like that we need to go ahead and look at these, this TIF rebate for other businesses or like businesses or even condos that go into the Redevelopment Agency.

CHAIRMAN GOODMAN

Thank you. And before we vote, Senator Bryan, I was not being, you know, facetious with you. I think that they probably are pleased with this discussion.

RICHARD BRYAN

Both pleased. Thank you very much, Your Honor and members of the Council.

CHAIRMAN GOODMAN

Very good. Thank you. Let's vote, please. Post. Motion carries. **(Motion carried unanimously).** Thank you very much. We appreciate it

(END OF DISCUSSION)

/ac;slc

City of Las Vegas

AGENDA SUMMARY PAGE

REDEVELOPMENT AGENCY MEETING OF: APRIL 20, 2005

CITIZENS PARTICIPATION: PUBLIC COMMENT DURING THIS PORTION OF THE AGENDA MUST BE LIMITED TO MATTERS WITHIN THE JURISDICTION OF THE REDEVELOPMENT AGENCY. NO SUBJECT MAY BE ACTED UPON BY THE REDEVELOPMENT AGENCY UNLESS THAT SUBJECT IS ON THE AGENDA AND IS SCHEDULED FOR ACTION. IF YOU WISH TO BE HEARD, COME TO THE PODIUM AND GIVE YOUR NAME FOR THE RECORD. THE AMOUNT OF DISCUSSION ON ANY SINGLE SUBJECT, AS WELL AS THE AMOUNT OF TIME ANY SINGLE SPEAKER IS ALLOWED, MAY BE LIMITED

MINUTES:

BEATRICE TURNER, showed a picture, which was not submitted for the minutes, of a building in the West Las Vegas community that is owned by the Housing Authority. The building is deteriorating, but many people have expressed interest in acquiring it to convert it into a training center. Also, she mentioned that her grandson recently went on a field trip to Lorenzi Park, and he said that it looks like a junkyard, with which MS. TURNER agrees. She opined that West Las Vegas residents have to fight for everything in their community, even for speed humps. She cautioned that a poor fight is the worst fight a politician can get involved in.

(1:24 - 1:27)
3-3253

THE MEETING ADJOURNED AT 1:27 P.M.

Respectfully submitted:

Gabriela Portillo-Brenner

Gabriela Portillo-Brenner, Deputy City Clerk
June 6, 2005

Barbara Jo Ronemus

Barbara Jo Ronemus, City Clerk