

Item #24

**City of Carson City
Agenda Report**

Date Submitted: May 21, 2010

Agenda Date Requested: June 3, 2010

To: Redevelopment Authority/Board of Supervisors

Time Requested: 15 Minutes

From: Andy Burnham, Public Works
Joe McCarthy, Business Development

Subject Title: Action to approve an agreement with Fireside Investments, LLC to lease with an option to purchase the former Fireside Building, 108 E. Proctor Street, (APN's 004-215-07, 004-202-01 and 004-202-02) for use as Carson City's Business Resource Center.

Staff Summary: In an effort to create an efficient consolidation of city services, this action provides for the Redevelopment Authority/Board of Supervisors approval to lease with an option to purchase the former Fireside property for use as a business resource center. The center will include Planning, Building, Business License, Development Engineering and Business Development. On May 6, 2010, the Board of Supervisors directed staff to evaluate alternative locations for a proposed business resource center. Staff analyzed several available alternatives and recommends the Fireside as most appropriate. A draft lease of the property provides for \$1.05 sf rent for 8,408 sf of usable space and \$.25 sf rent for the storage-only basement. These rates were used to derive the property's current market value of \$1,102,299.00. The market value calculation used a nine (9) percent capitalization rate applied to the building's annual net operating income. The Redevelopment Authority/Board of Supervisors reserves a two-year window, beginning in twelve (12) months, to exercise the option to purchase the property for its current market value of \$1,102,299.00.

Type of Action Requested: (check one)

☐ Resolution ☐ Ordinance
☒ Formal Action/Motion ☐ Other (Specify)

Does This Action Require A Business Impact Statement: ☐ Yes ☒ No

Recommended Board Action: I move to approve the agreement with Fireside Investments, LLC to lease with an option to purchase the former Fireside Building, 108 E. Proctor Street, (APN's 004-215-07, 004-202-01 and 004-202-02) for use as Carson City's Business Resource Center

Explanation for Recommended Board Action: The proposed business resource center will bring together under one roof our Permit Center, Planning Department, and Business Development to include a complementary Library satellite function geared specifically on business research. The Center will incorporate business support, instruction and coaching provided by UNR's Nevada Small Business Development Center. In addition, the Center will coordinate partnerships with the builder's association, the Chamber of Commerce, Northern Nevada Development Authority, workforce development agencies and numerous other entities. The Center's primary mission is business retention, job creation, filling empty buildings and diversifying our local economy.

Applicable Statute, Code, Policy, Rule or Regulation: NA

Fiscal Impact: Annual lease payments and utilities of approximately \$120,000

Explanation of Impact: Cost of lease payment offset by consolidation of offices, \$100,000 one-year Library Services Grant, and a staffing reduction in Business Development's budget.

Funding Source: Redevelopment funds

Alternatives: NA

Supporting Material: Alternative analysis prepared by staff

Signed lease agreement *will be provided as a late material*

Prepared By: Joe McCarthy, Business Development
Andy Burnham, Public Works

Reviewed By:

Joe McCarthy
(Business Development)

Date: 5-25-10

(City Manager)

Date: 5/25/10

Melanie B. Ketta
(District Attorney)

Date: 5-25-10

Walter Paul
(Finance Director)

Date: 5/25/10

Board Action Taken:

Motion: _____

1) _____
2) _____

Aye/Nay

(Vote Recorded By)



Carson City Planning Division

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Carson City, Nevada 89706
(775) 887-2180
Plandiv@carson.org
www.carson.org/planning

MEMORANDUM

TO: Larry Werner, City Manager

FROM: Andrew Burnham, Public Works Director
Lee Plemel, Planning Director
Joe McCarthy, Redevelopment Director

DATE: May 12, 2010

SUBJECT: Business Resource and Innovation Center (BRIC) Alternatives Analysis

At the direction of the Board of Supervisors, staff has explored available alternatives for the location of the proposed BRIC. This includes alternatives for leasing or purchasing office space. The following are minimum office space criteria to accommodate the proposed BRIC:

1. The office must be located within the Redevelopment District (in order to use Redevelopment funds as part of the financing).
2. A minimum of 8,000 square feet of office area plus a minimum of 1,000 s.f. of additional file storage space is required to accommodate the proposed offices and uses.

Staff used the appraisal for the property at 108 East Proctor Street ("Fireside building"), prepared by Johnson-Perkins & Associates, Inc. (list of properties attached), and information provided by Sperry Van Ness Gold Dust Commercial Associates on available office space to create a list of alternative sites.

Only two properties meet both of the required criteria: The Fireside building and the former Citibank building (308 N. Curry Street). The other locations identified by the Johnson-Perkins appraisal and Sperry Van Ness are too small or do not have enough available lease space for the proposed use. The attached analysis compares in more detail the Fireside building and former Citibank building as viable locations for the BRIC.

In addition to the sites identified in the attached lease and sales tables from Johnson-Perkins, the following sites were considered:

- Former Greater Nevada Credit Union building, Second Street – This building is too small—smaller than the Fireside building—and is not located within the Redevelopment District.
- Carson Mall (former Gottschalks) – Extensive remodel of the building would be required, and the benefits of close proximity to City Hall are not realized at this location. It is not known if the property owner would consider modifying the mall for such a use.

- North Town Plaza (former K-Mart and adjacent site) – This location is within the Redevelopment District and office space is available. However, this location is far removed from City Hall and is not centrally located around other services. Extensive interior remodeling would be required to turn the space into a permit center and accommodate other offices.

Staff Recommendation:

Based upon the discussion above and the more detailed analysis in the attached BRIC Location Comparison Table for the Fireside and Citibank buildings, staff recommends that the Fireside building is the preferred alternative for the location of the BRIC facilities. This recommendation is generally based on the following:

1. The Fireside building is in the best location to provide customer service in proximity to City Hall and Secretary of State offices.
2. The Fireside building is the right size to accommodate the proposed staff and uses.
3. The Fireside building is the less expensive option.

Attachments:

1. BRIC Location Comparison Table
2. Comparable lease and sales tables from Johnson-Perkins appraisal (alternative locations)
3. Aerial Maps for Fireside and Citibank buildings

Business Resource and Innovation Center Location Comparison Table

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	Fireside Building (108 E. Proctor Street and adjacent parking lot)	Former Citibank Building (308 N. Curry Street)
Building Size:	8,408 sf office + 1,140 sf basement (storage) = 9,548 sf	18,352 sf office + 4,060 basement = 22,412 sf
Lease Price (est.)	\$1.10/sf; approx. \$9,250 per month (offering \$1.05/sf)	Not offered for lease; for sale only, AS IS
Purchase Price (asking)	\$1,379,000	\$2.1 million
Appraised Value	\$935,000	\$1.5 million (<u>estimated</u> by City appraiser)
Estimated TI Costs	TBD (\$20,000 credit offered by lessor); minimal work req'd	\$600,000-\$1,000,000 (\$30-\$50 per sf per Johnson-Perkins appraiser and Sperry Van Ness)
Total Move-In Cost	- TI costs plus monthly lease; or - \$935,000-\$1,379,000 (\$111-\$164 per sf) purchased	\$2.1-\$3.1 million (\$114-\$169 per sf)
Parking	21 on-site (across from the building); 2.5 spaces per 1,000 sf; plus on-street parking	30 on-site; 1.6 spaces per 1,000 sf; plus shared public parking lot to south and on-street parking
Availability to Move In	Within approximately 4 weeks of lease/purchase agreement.	Approximately 3-6 months from lease/purchase agreement.
Proximity to Other Services	- Across the street from City Hall and within one block of Secretary of State's office. - This location would allow the City to hard-wire computers to the City Hall network, greatly improving networking function for the Permit Center. - Allows some shared services with City Hall, such as postage machines and meeting facilities. - The Secretary of State is supportive of the Carson City Business Resource Center in the Fireside as a place that provides a triangle of service points for local business- locating the SOS office, City offices and the resource center with advice, information and regulatory needs all in one location.	- Within one block of City Hall and the Secretary of State's office. - Wireless networking would be required; not as fast as hard wiring. - Allows some shared services with City Hall, though not as conveniently accessible.

Business Resource and Innovation Center Location Comparison Table

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	Fireside Building (108 E. Proctor Street and adjacent parking lot)	Former Citibank Building (308 N. Curry Street)
Pros	- Convenient public location. - Excellent proximity to other related City and State functions. - Appropriate size for existing needs; no staff growth is anticipated within the next 2-3 years. - Building is in "move-in" condition. - Building is offered for lease or sale, which would allow the City to move in quickly under a lease while allowing time to determine if adequate Redevelopment funds will be available and appropriate for the purchase of the building.	- Convenient public location. - Very good proximity to other related City and State functions. - Provides additional space for future growth. - Offers more public counter area.
Cons	- Does not provide room for expansion; outside functions (e.g. NNDA, NSBDC or other agencies using space) would have to be moved out to accommodate City staff growth at this location.	- Significant investment of money and time would be required to get the building ready for occupancy. "As is" purchase leaves final costs possibly unknown. - Would require finding additional tenants and getting commitments for other agencies to fill the additional space that is not needed for the BRIC (approximately 10,000 sf additional space). - The building is not offered for lease, only purchase. - Likely higher cost per square foot of office space for total move-in costs.

COMPARABLE OFFICE RENTAL CHART

Rental No.	A.P.N. Address	Year Built Quality Condition	Rentable Building Area	Parking	Expenses Vacancy	Rent/SF/Month
OBR-1	003-229-03 B'Sghettis/Office 318 N. Carson Street	1966 Average Average	10,403± SF Available 896± SF	Street Parking	Modified Gross 8.61%	Actual \$.98-\$1.67 Asking \$1.00
OBR-2	004-215-06 305 N. Carson Street	1929 Average Average	9,500± SF Available 3,200± SF	Street Parking	Full Service 33.68%	Asking \$1.25
OBR-3	004-061-01 501 S. Carson Street	1988 Average Fair to Average	7,548± SF Available 1,891± SF	On-Site Parking	Modified Gross 25.05%	Asking \$1.00
OBR-4	003-205-01 400 King Street	1974 Average Average	28,900± SF Available 1,610± SF	On-Site Parking	Full Service 5.57%	Asking \$1.00
OBR-5	002-172-05 777 E. William Street	1978 Average Average	12,808± SF Available 4,241± SF	On-Site Parking	Full Service 33.11%	Actual \$1.25 Asking \$1.25
OBR-6	002-145-01 Bank of America 600 E. William Street	1981 Above Average Average	30,000± SF Available 2,813± SF	On-Site Parking	Full Service 9.38%	Asking \$1.35
OBR-7	001-171-05 410 John Street	1985 Average Average	7,000± SF Available 3,539± SF	On-Site Parking	Modified Gross 50.56%	Asking \$.99
OBR-8	009-083-04 727 Fairview Drive	1988 Average Average	23,048± SF Available 2,083± SF	On-Site Parking	Full Service 9.04%	Asking \$1.25
Subject Property One	004-202-01 & 004-215-07 Fireside Inn Office 108 E. Proctor Street	1951 Remodeled 1999 Average Average	8,408± SF	Street Parking	Modified Gross 100%	---

JOHNSON-PERKINS & ASSOCIATES, INC.
REAL ESTATE APPRAISERS & CONSULTANTS

JOHNSON-PERKINS & ASSOCIATES, INC.

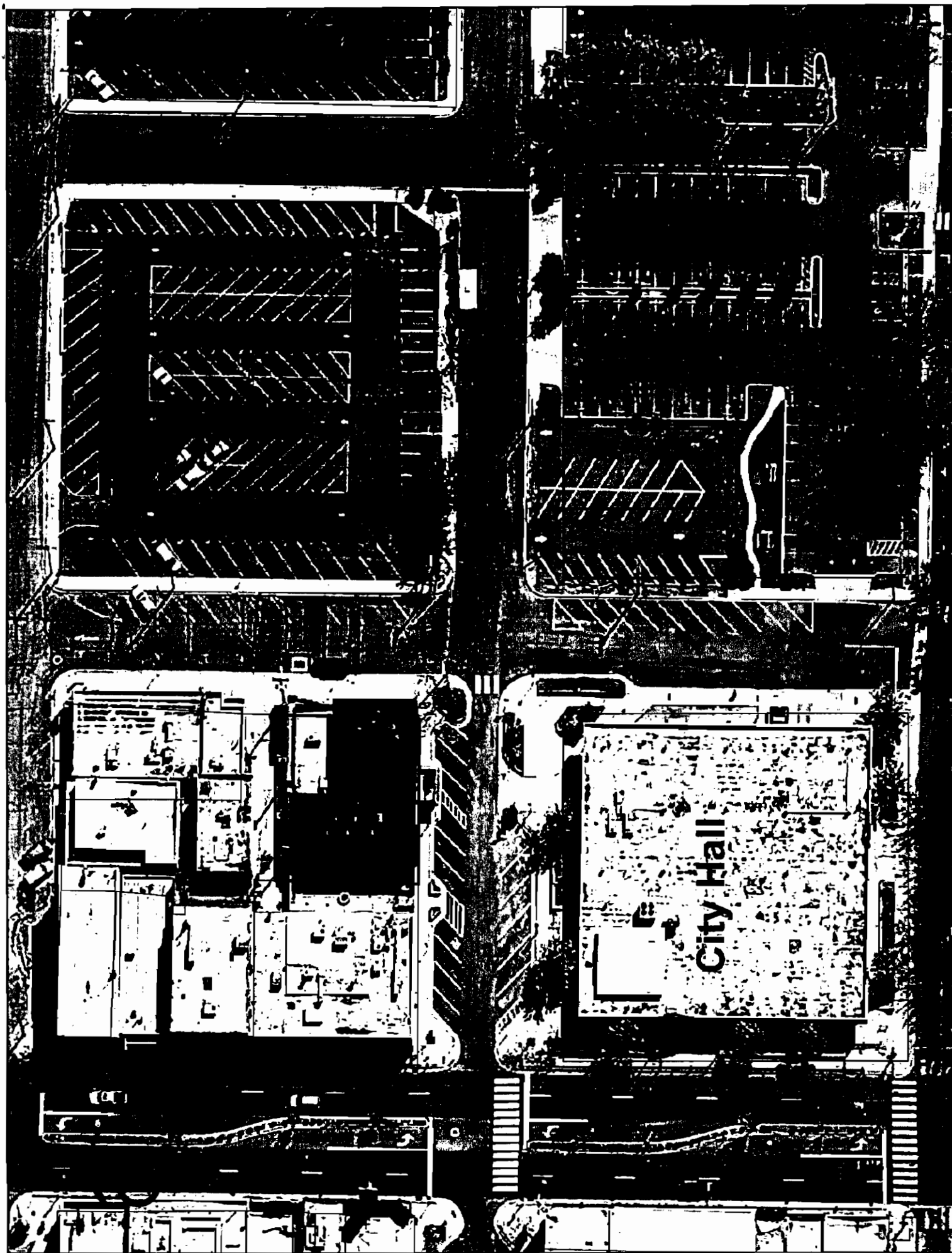
REAL ESTATE APPRAISERS & CONSULTANTS

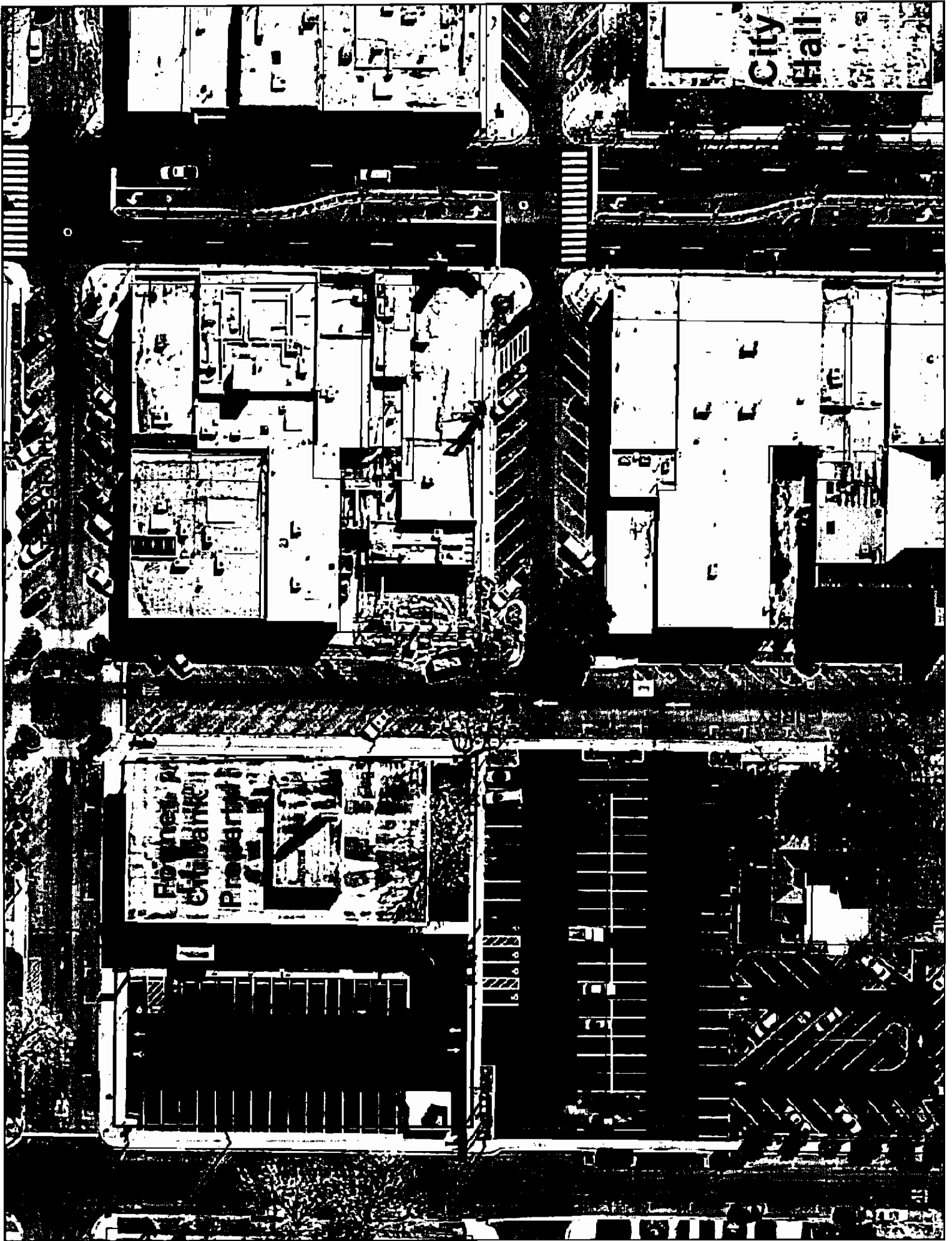
COMPARABLE OFFICE BUILDING SALES CHART

Sale No.	A.P.N. Building Name Address	Sale Date Sale Price	Year Built Quality Condition	Land Area On-Site Parking	Document No. Grantee	GBA Price/SF
OBS-1	003-213-01 Former Stewart Title Company 111 W. Proctor Street	09/12/07 \$1,200,000	1962 Average Average	5,227± SF None	395440 ABB ATM LLC	8,390± SF \$143.03
OBS-2	004-215-02 The Blue Bull 107 E. Telegraph	05/07/09 \$310,000	1933 Average Average	2,614± SF None	389315 T.L.A.C.P, LLC	2,150± SF \$144.19
OBE-3	004-215-04 Law Offices of Jon Yaple 315 N. Carson Street	Current Escrow \$225,000	1963 Average Fair to Average (Shell) 1970	2,125± SF None	N/A Owner of Record: Dennis Steele	1,958± SF \$114.91
OBL-4	003-229-03 B'Sghetti's/Office 318 N. Carson Street	Current Listing \$1,250,000	1966 (Renovated 1995) Average Above Average	7,990± SF None	N/A Owner of Record: Maggie Properties	10,951± SF* \$114.14
OBL-5	004-067-01 Retail/Office Building (City Café Bakery) 701 S. Carson Street	Current Listing \$695,000	1977 Average Average	8,276± SF Yes	Owner of Record: 701 Carson Street Investors, LLC	6,804± SF \$102.15
OBL-6	009-701-38 Office Condo 3086 Silver Sage Drive	Current Listing \$400,000	1994 Average Average	3,049± SF Common Area Parking	Owner of Record: Heritage Bank of Nevada	3,044± SF \$131.41
OBL-7	003-228-01 Former Citibank 308 N. Curry Street	Current Listing \$2,100,000	1964 Renovated 2002 Average Fair to Average	30,056± SF Yes	N/A Owner of Record: California Federal Bank	20,450± SF* \$102.69
Subject Property	004-202-01 & 02 004-215-07 Fireside Inn Office 108 E. Proctor Street	Date of Valuation 04/13/10	1951 Remodeled 1999 Average Average	5,330± SF** None	N/A Owner of Record: Fireside Investments, LLC	8,408± SF* ---

*Without Basement

**Excluding Excess Land







OFFICE OF THE SECRETARY OF STATE

ROSS MILLER
Secretary of State

May 20, 2010

Carson City Board of Supervisors
City Hall
201 N. Carson Street, Suite 2
Carson City, NV 89701

Dear Mr. Mayor and Members of the Board of Supervisors:

My office has been informed of Carson City's efforts to centralize and create a one-stop shop for business services. As the State Constitutional Officer with responsibility over corporate filings and issuance of the State Business License, I understand the need to maintain Nevada's friendly business environment as well as simplify the process for our business customers. As a neighbor to City Hall, I hope you will consider locating your business resource and services center in the general vicinity to City Hall and the State Capitol Building. Many of your customers will need to file with the Secretary of State's office and the proximity of your center to our offices would be a benefit to our mutual customers. I realize that you have to consider office space which suits your needs and budget, but one of the properties under consideration is adjacent to City Hall and it would create a triangle of government services reducing the time our business customers have to spend driving around town to complete all their filings or getting the information they need.

I support your efforts locally and my office looks forward to our continued collaboration on developing business services that are accessible and efficient for the customers who utilize them.

On a final note, I am pleased to tell you that we are making substantial progress on the development of the Nevada Business Portal which will enable businesses to conduct transactions with state and local governmental agencies. This online "one stop shop" and its underlying architecture will streamline business establishment and maintenance processes; reduce complexity, eliminate redundancy, improve accountability and promote greater integration of constituent services. We expect to award a contract to a vendor by July with an expected implementation date in early 2011. The second phase of the project will bring in local governments and my staff has been in discussion with Carson City staff on this collaboration.

Again, thank you for allowing me the opportunity to share my thoughts on this endeavor.

Sincerely,

A handwritten signature in cursive script that reads "Ross Miller".

ROSS MILLER
Secretary of State

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