

CARSON CITY REDEVELOPMENT AUTHORITY

Minutes of the July 3, 2013 Meeting

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A regular meeting of the Carson City Redevelopment Authority was scheduled to take place during the Board of Supervisors meeting on Thursday, July 3, 2013 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Karen Abowd
Vice Chairperson Brad Bonkowski
Member Robert Crowell
Member John McKenna
Member Jim Shirk

STAFF: Marena Works, Deputy City Manager
Alan Glover, Clerk - Recorder
Randal Munn, Chief Deputy District Attorney
Kathleen King, Deputy Clerk / Recording Secretary

NOTE: A recording of these proceedings, the Redevelopment Authority's agenda materials, and any written comments or documentation provided to the Clerk during the meeting are part of the public record. These materials are available for review, in the Clerk's Office, during regular business hours.

24. CALL TO ORDER AND ROLL CALL (2:03:19) - Chairperson Karen Abowd called the meeting to order at 2:03 p.m., noting the presence of a quorum.

25. CITY MANAGER

25(A) DISCUSSION AND POSSIBLE ACTION TO RECOMMEND TO THE BOARD OF SUPERVISORS, AND APPROVE AND AUTHORIZE THE CHAIR OF THE REDEVELOPMENT AGENCY BOARD TO EXECUTE THE THIRD AMENDED AND RESTATED COMMITMENT AGREEMENT FOR CONTINUING BUSINESS OPERATIONS WITH RICHARD CAMPAGNI, WHICH PROVIDES THAT UPON THE BOARD OF SUPERVISORS' APPROVAL OF A RESOLUTION, PURSUANT TO NRS 244.2815(2), THE MAYOR WILL EXECUTE A GRANT, BARGAIN, AND SALE DEED TO RICHARD CAMPAGNI AND, THEREBY, TRANSFER 2443 SOUTH CURRY STREET, APN 009-051-19, FOR THE PURPOSES OF ECONOMIC DEVELOPMENT AND RESOLVING A CONTINUING BUSINESS OBLIGATION INCENTIVE INEQUITY BY THE TRANSFER OF THIS LAND IN LIEU OF REDUCING CAMPAGNI'S EXISTING REDEVELOPMENT LOAN RATE FROM 5% TO 3% TO MATCH THE RATE RECENTLY PROVIDED TO MICHAEL HOHL (2:03:31) - Chairperson Abowd introduced this item, and Ms. Works reviewed the agenda materials. Mr. Munn clarified that the land is owned by the City "so the transaction regarding the land is the next agenda item. ... before the [Redevelopment Authority] is whether to agree to your signature on the amended agreement."

Chairperson Abowd entertained redevelopment authority member questions or comments. Member McKenna provided background information on this item, and expressed the belief that the subject arrangement "seems ... to be a normal business relationship that benefits the people of Carson City still. ... looking at the deal right now, ... Carson City achieves more benefits from it than they would if it didn't exist." Member Crowell provided additional background information, and expressed the opinion that "this equalizes the benefits between Campagni and Hohl which ... we do have a moral obligation to do. ... because we're in business with both, ... auto sales tax in this community has been what has essentially kept

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us alive and able to weather this recession or depression or whatever you want to call it. And its through ... the marketing efforts of these two groups that have ... really put a lot of money into the City's general fund." Member Crowell expressed the opinion that the subject transfer "creates an equal playing field between the dealerships and ... also revises the agreement where, at the end of it, neither party's going to end up paying. Their loan will be repaid and there'll be no further obligations." Vice Chairperson Bonkowski advised of having reviewed all the documentation and expressed uncertainty that "this is an equitable deal for the City." He expressed the opinion that "looking at all the different alternatives ... they're all much less attractive." He advised he would not vote against the item, but was "not really happy about it either ..."

In response to a question, Mr. Munn explained that Michael Hohl "had, from the outset, received two loans and had an additional coming. He had \$1.2 million and another for \$1.2 million and then he had \$2.4 [million] that was still owed to him under the agreement. And ... the option for him was to either move his GM dealership or remodel it and that was in the agreement. He chose to remodel it and came back for the \$2.4 [million]. That obligation already existed. In between all of that time was the economic crash and the fact that the numbers were not working in his model for ... the payback happening through the sales tax. Essentially, ... he was starting to accrue amounts where he didn't make the nut per month, so to speak. So, ... staff brought back to this Board a recommendation that we restructure the deal so that no one ends up in a circumstance where cash has to come out of pocket from either side. And, in that restructure, we wrapped all of those notes together into one note at three percent." In response to a further question, Mr. Munn explained his understanding that "prior Boards had made the decision, since auto dealers essentially are contributing about 24 percent to the general fund of this City, that the incentive was designed around those large dealers. So, the answer is, no it wasn't offered to everybody. There were only two dealers that took the City up on that, the Michael Hohl Group and the Campagni Group. So the smaller dealers weren't in that. They didn't have the ability to participate in that. There were other, smaller ... incentive plans at the time which have since been sunsetted because of the availability of money and other policy reasons by this Board. Essentially, the answer is no; not everybody got this opportunity and there are no others out there other than these two."

In response to a further question, Mr. Munn recalled one meeting between City officials and the Campagni Group which the Mayor attended. "... unless this Board appoints a subcommittee to go negotiate a deal, ... staff doesn't involve anything that could approach a quorum when we're analyzing something that we're going to recommend to you for obvious reasons. Mayor Crowell expressed reluctance over Board of Supervisors members becoming involved in contract negotiations "because ... it prepositions you for a particular way to vote when it comes before you." Mayor Crowell advised that he generally stays out of contract negotiations. He further advised that his "general approach ... is to ... let your staff do the negotiations and then ... the individual Supervisors retain their ability to make an unbiased decision." Supervisor Shirk proposed a method for City staff to communicate with the Board members without violating the Open Meeting Law.

In response to a further question, Mr. Munn explained that when he "constructed the staff report and drafted the resolutions for the Board of Supervisors on the next agenda item, [he] follows the statutory requirements, ... essentially a threshold that you must meet as to an item where you're selling property, under this [Redevelopment] Authority and possibly less than appraised value. So, in crafting that language, there was a rate reduction in the circumstances of Mr. Hohl and that the best interests of the community analysis surrounds Mr. Campagni's impact on this community and the amount of tax revenue he generates

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from that business, plus the continuing business relationship and, essentially, everyone's admitted a moral obligation that he be able to have a competitive incentive plan. So, essentially, it was drafted in a manner that would meet the statutory threshold that this Board, in making its decision, would meet those requirements by taking, essentially, an unproductive piece of property, putting it back into production and on the tax rolls, as well as the other side of the equation and that is the ongoing relationship with Mr. Campagni."

In response to a further question, Mr. Munn advised "they have a ten percent incentive built into the transaction that, if they pay off that note early, then they move over to, essentially, receiving cash from the general fund through the tax that they generate, the ten percent. And so, under the structure of this deal, that's why the land swap came into the analysis of staff's recommendation because if we reduced Mr. Campagni's to three percent, based on his sales, he gets into the ten percent incentive a lot sooner than anybody really wants to as far as the amount of cash that would come from the general fund to his pocket. Because the deal was designed ... to ... pay for itself over time and ... no one really wants to come out of pocket. They don't want to be paying us if they're short and we don't want to be paying them if they finish early. And so, it is in the best interests of the community that that ... relationship continue."

In response to a further question, Mr. Munn suggested that "hindsight is always 20 / 20. ... with respect to Hohl, obviously, it wasn't penciling out because the economy changed and, therefore, the restructure discussion happened with him. ... that's a given. If you knew where you were going to be today, then maybe you would have structured the deal differently and I haven't thought that through as to how I would have restructured it." In response to a comment, he agreed that future agreements could be negotiated with "triggers for renegotiation ... Obviously, we didn't have any of those kind of triggers that were in the original agreements."

Chairperson Abowd commended staff's creativity, and expressed regret that "the property is worth fifty percent of what we paid for it way back when." She expressed gratitude "that this transfer of land was offered as an opportunity," and the belief that "for the Campagni group, this property is of much more use than it is to the City and it also puts the property back on the tax rolls." She expressed support for the proposed agreement.

In response to a question, Public Works Department Director Andy Burnham advised that the building "is in the same state. We haven't invested any money back into that building at all. And that's been one of the concerns. We've tried to market this building over the last four years and that's been some of the concerns that have been expressed by potential buyers or lessees of the building." In response to a further question, he advised that the building was purchased as a result of not being able to "come to terms buying the little piece of right-of-way ... and the project was ongoing, moving forward, and the cost of delaying the project or having construction delays within the construction contract indicated ... that we needed to go ahead and just purchase the property with the idea of selling the property, at that time, ... for about what we purchased it for and we'd come out whole. Obviously, none of that happened and, as a result, we are where we are today with the property." In response to a further question, Mr. Burnham advised that the Code deficiencies have to do with non-compliant ADA restroom facilities. Mr. Johnson expressed the opinion that's nothing "to get too uptight about." He advised that "parking was an issue." He reminded the Board that "when we widened Curry Street, we took out a lot of the parking they had along the storefront of this building and, at the time, the property owners were just absolutely crazy over that. ... and they were fairly difficult to deal with. ... And, at the time, if the market had stayed the same, you probably

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could have turned it around and it might have been less expensive through that method than buying the right-of-way and having to pay damages to the property owners because that was the thing they were looking at."

In response to a further question regarding sale of the property, Mr. Burnham advised there have been no formal auctions or sales processes, but "we've had many inquiries and we've had discussions with realtors. But, we've never put it ... up to auction ... And that's because the market kept going down and down and down and every time we've got any interest at all, they were typically very low-cost kinds of interests that didn't want to pay even close to what we bought it for and ... even up to the last year or so, didn't even want to pay close to the \$415,000." Supervisor McKenna described the location of the property for the benefit of the viewing public.

Chairperson Abowd entertained additional Redevelopment Authority member questions or comments. When none were forthcoming, she entertained public comment. (2:31:06) Mr. Glover inquired as to who will pay the transfer tax. (2:31:42) Attorney Jim Cavilia expressed concurrence with the provisions of the proposed agreement, and thanked Mr. Munn and Mr. Werner for "a very creative solution to an issue." He expressed appreciation for Mr. Werner's concern over reducing the interest rate to three percent "which would trigger the ten percent of sales tax going back to Mr. Campagni sooner than it would otherwise and this is a very creative solution because you have a piece of property that has very little value regardless of what Mr. Johnson says it's worth. It doesn't have a lot of value to the public or to the world, but it does have value to Mr. Campagni and his Toyota dealership because it's adjacent to it." Mr. Cavilia expressed confidence that "we'll be able to work out" the transfer tax. Mr. Glover assured Mr. Cavilia there is no exemption for a transfer from the City to a third party. Vice Chairperson Bonkowski expressed the belief that the transfer tax amount is \$1,618.50. Mr. Cavilia reiterated "we can work that out."

In response to a question, Mr. Cavilia advised that the commitment, under the terms of the agreement, is that "Mr. Campagni continues to operate his dealerships in Carson City until 2029. ... whether or not this particular parcel of property is part of that dealership," is not addressed in the agreement, but "shouldn't be a big concern to the City as long as he continues to operate those dealerships, whether they include that piece of property or not." Mr. Cavilia assured the Board "there's certainly no intention ... to try to spin this piece of property off that doesn't have any value to anybody else." He suggested "the plan is probably, at least potentially, to tear down that building and make it part of the rest of the facility." He reiterated that this is not specifically addressed in the agreement. Member McKenna expressed no personal concern, but suggested people may consider it a "windfall" or "a deal in the offing." Mr. Cavilia acknowledged the possibility of increasing the value of the deal, but advised he would need to discuss it with Mr. Campagni. Member McKenna advised of having proposed the possibility "because it's one of those loose ends." He expressed the "personal feeling ... that we are in business with the Campagni group and we are going to remain in business until this contract is over with." Mr. Cavilia assured the Board that "Mr. Campagni has those same feelings. He is committed to Carson City, obviously, and feels like he is in partnership with the City with respect to the importance of the auto dealers to the bottom line of the general fund."

Vice Chairperson Bonkowski advised that he shares Member McKenna's concern, and that he takes issue that there is no recapture clause in the original agreement. "We have this system where we're renegotiating the contract one way because the economy's bad. There's no clause in this agreement that allows us to renegotiate if the economy were to get exceptionally well again." Vice Chairperson Bonkowski suggested adding a recapture clause or "some limitations on the sale of the building so that we're assured or our

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constituents are assured that it doesn't become a windfall and is just part of an equitable deal ..." Mr. Cavilia expressed a willingness to discuss the same with Mr. Campagni. Mr. Cavilia suggested that "if the economy gets really good, it's good for everybody. We're in business together. If Mr. Campagni sells more cars, it's good for everybody. Whether we're getting ten percent of that back because ... we're at the end of the agreement, the City's still getting 90 percent of that additional tax revenue. ... the incentive's there ..." He reiterated a willingness to discuss the matter with Mr. Campagni. Discussion followed.

Chairperson Abowd entertained additional questions or comments of Mr. Cavilia; however, none were forthcoming. She entertained additional public comment and, when none were forthcoming, entertained a motion. **Member Crowell moved to recommend to the Board of Supervisors, and approve and authorize the Chair of the Redevelopment Agency Board to execute the Third Amended and Restated Commitment Agreement for Continuing Business Operations with Richard Campagni, which provides that upon the Board of Supervisors' approval of a resolution, pursuant to NRS 244.2815(2), the Mayor will execute a Grant, Bargain and Sale Deed to Richard Campagni and thereby transfer 2443 South Curry Street, APN 009-051-19, for the purposes of economic development and resolving a continuing business obligation incentive inequity, by the transfer of this land, in lieu of reducing Campagni's existing redevelopment loan rate from five to three percent to match the rate recently provided to Michael Hohl. Member McKenna seconded the motion.** Chairperson Abowd called again for public comment and, when none was forthcoming, a vote on the pending motion. **Motion carried 5-0.**

26. PUBLIC COMMENT

27. ACTION TO ADJOURN (2:41:09) - Chairperson Abowd adjourned the meeting at 2:41 p.m., and passed the gavel to Mayor Crowell.

The Minutes of the July 3, 2013 Carson City Redevelopment Authority meeting are so approved this _____ day of December, 2013.

KAREN ABOWD, Chair

ATTEST:

ALAN GLOVER, Clerk - Recorder