



REDEVELOPMENT AGENCY AGENDA STAFF REPORT
MEETING DATE: December 8, 2014

Title: Review and possible approval of an Exclusive Negotiating Agreement between the City of Sparks, the Redevelopment Agency of the City of Sparks and Silverwing Development for the proposed sale and development of real property located within the Victorian Square project area.
Petitioner: Silverwing Development/Community Services Department
Presenter: Armando Ornelas, City Planner
Recommendation: Staff recommends that the City Council and Redevelopment Agency Board approve the Exclusive Negotiating Agreement with Silverwing Development.
Financial Impact: None
Business Impact (Per NRS 237) <input type="checkbox"/> A Business Impact Statement is attached. <input checked="" type="checkbox"/> A Business Impact Statement is not required because this is not a rule. <input type="checkbox"/> A Business Impact Statement is not required. This is a rule but does not impose a direct and significant economic burden on a business, or directly restrict the formation, operation or exemption of a business. <input type="checkbox"/> A Business Impact Statement is not required. Thus is a rule but emergency action is necessary to protect the public health and safety (requires a unanimous vote of the City Council and cannot be in effect for more than six months).
<p>Agenda Item Brief: Silverwing Development is a real estate development company located in Reno. On October 27, 2014, the Redevelopment Agency Board directed staff to negotiate and bring forward for Agency Board and City Council consideration an Exclusive Negotiating Agreement (ENA) with Silverwing for the possible sale and development of seven parcels owned by the Redevelopment Agency and one City-owned parcel. All eight parcels are located within the Victorian Square project area and shown on Attachment B to the proposed ENA. Silverwing has proposed a mixed-used development that includes approximately 200 multi-family residential units on four Agency-owned parcels, and if it can be acquired, additional apartments on a parcel owned by a third party and a fifth Agency parcel. Approximately 20 additional apartments and 9,000 square feet of retail/restaurant space are proposed for the two parcels in front of Cinemark Theaters. Silverwing is also requesting 24 months to attract an office tenant for a City-owned parcel. The proposed ENA would grant Silverwing time to continue its due diligence, submit a project proposal and negotiate a Disposition and Development Agreement with staff for future City Council and Agency board consideration. The ENA’s proposed terms obligate the City and Agency to negotiate exclusively with the Silverwing Development regarding the possible transfer, disposition or use of the eight Agency and City owned parcels for the term of the ENA. The ENA does not, however, grant Silverwing the right to acquire the Property.</p>

BACKGROUND:

In 2005 the City and Redevelopment Agency adopted the First Amendment (Victorian Square Development Plan) to the Sparks Town Center 2000 Amended Redevelopment Plan. The amendment shifted the plan’s focus for Victorian Square from a predominantly retail orientation to producing a mixed-use project featuring residential, retail, office and civic uses. Late that same year the Agency also selected the Trammell Crow Company (TCC) to undertake the Phase I residential component of the plan, which was slated to occur on three of the six parcels that Silverwing is seeking to develop. TCC vigorously initiated its predevelopment work, including pre-sales of the proposed condominium units, but the recession set in before TCC started construction of the project. The parties mutually agreed to terminate their development agreement in 2008.

In 2009, the City of Sparks re-master planned and rezoned the area that includes Victorian Square as Transit Oriented Development – Downtown/Victorian Square. The zoning calls for mixed-use development, and permits a variety of medium to high density housing types and a wide range of retail, entertainment, service, civic and office uses by right.

Silverwing Development is a Reno-based company dedicated to residential, commercial and land development. It is headed by J Carter Witt III, its president, and the firm has been in existence for 27 years. The firm’s corporate profile is attached to this staff report. This past July Silverwing contacted the Redevelopment Agency to express interest in developing Victorian Square. Since their initial expression of interest, Silverwing has undertaken considerable due diligence and has prepared a mixed-use project concept. On October 27th, the Redevelopment Agency Board directed staff to negotiate and bring forward for Agency Board and City Council consideration an Exclusive Negotiating Agreement (ENA) with Silverwing for the possible sale and development of seven parcels owned by the Redevelopment Agency and one City-owned parcel.

ANALYSIS:

The proposed ENA is intended to provide Silverwing to continue its due diligence, refine and submit a project proposal and negotiate a Disposition and Development Agreement with staff for future City Council and Agency board consideration.

Silverwing is proposing a mixed-used development that includes approximately 200 multi-family residential units on four Agency-owned parcels (Parcels 3, 13, 21, and 22), and if it can be acquired, additional apartments on a parcel (Parcel 23) owned by a third party and a fifth Agency parcel (Parcel 24). Approximately 20 additional apartments and 9,000 square feet of retail/restaurant space are proposed for the two parcels (4 and 6) in front of Cinemark Theaters. Silverwing is also requesting 24 months to attract an office tenant for a City-owned parcel (Parcel 9). Thus, Article 5.01 of the ENA specifies that the agreement’s term (expiration date) is for 6 months from the date of approval for the Agency owned parcels but extends for 24 months for the City-owned parcel.

The parcels covered by the ENA are:

ENA Map #	APN	Owner	Size (acres)	Proposed Use
3	032-341-24	Agency	1.875	Multi-family residential
4	032-341-23	Agency	.228	Multi-family & retail/restaurant
6	032-341-22	Agency	.228	Multi-family & retail/restaurant
13	032-341-25	Agency	.765	Multi-family residential
21	032-135-13	Agency	.241	Multi-family residential
22	032-135-25	Agency	.38	Multi-family residential
24	032-135-09	Agency	.12	Multi-family residential
9	032-342-04	City	.705	Office or multi-family residential

The ENA’s proposed terms obligate the City and Agency to negotiate exclusively with Silverwing Development regarding the possible transfer, disposition or use of the Property for the term of the ENA. Specifically, the City and Agency would agree to negotiate exclusively regarding the following matters (see Article 3.1):

- (i) the transfer or other disposition of the Agency Parcels and City Parcel during the term of this Agreement;

- (ii) the submittal, review and approval of any plans, drawings, budgets and supporting documents for the Project;
- (iii) the terms and provisions of a Disposition and Development Agreement (DDA) for the Agency Parcels and City Parcel;
- (iv) the use, lease or occupancy of the Agency Parcels and City Parcel without the prior consent of the Developer except (a) regulatory, police or legislative actions relating to public safety, public welfare or land use (including zoning and zoning enforcement); however, Developer's consent is required to rezone the Agency Parcels and City Parcel during the term of this Agreement.
- (v) uses in connection with special events; and
- (vi) temporary uses.

The ENA does not, however, grant Silverwing the right to acquire the Agency and City Parcels and any terms for conveyance of this property to Silverwing must be approved in a subsequent agreement, the prospective DDA.

In order for the Developer to proceed to the DDA stage, they must submit a development proposal to the Agency and City within four months of approval of the ENA. The requirements for the submittal are specified in Attachment A to the ENA, as follows:

1. Market Assessment. A description of the target market for the Project, including an assessment of the likelihood of long-term success relative to competition (existing, planned and proposed).
2. Plan. A schematic plan showing the location, size and use of all improvements to be constructed on the Property, including:
 - a. The proposed building height, dimensions and square footage of all structures.
 - b. The type of tenant proposed in the Project.
 - c. Preliminary renderings showing the architectural style of the Project.
3. Budget. A proposed budget for the Project (reflecting any phasing), including the following elements:
 - a. Projected costs for the construction and development of the concept for the Project, including all anticipated hard and soft costs.
 - b. Projected operating revenues and expenses for the Project for three years following issuance of the first certificate of occupancy for the Project, together with information on operating revenues and expenses for various components (e.g. retail, housing, etc.) of the Project.
4. Financing. A summary of likely financing sources for the Project.
5. Project Schedule. A schedule showing the expected timeline for the possible financing, development and leasing of the Project.

The ENA also obligates the Agency and City to undertake certain efforts and tasks, as specified in Articles 3.02.F-J:

- Review and processing of land use entitlement applications – City agrees to diligent and timely review of Silverwing's land use entitlement applications, which are expected to include a site plan review and tentative and final subdivision maps.
- Possible right-of-way abandonments. The City agrees to consider abandonment of the following areas so that Silverwing may incorporate them in the project: (i) that portion of the alley located between Victorian Avenue and Avenue of the Oaks directly adjacent to Agency Parcels 13, 21, 22 and 24 and the Nugget; and (ii) that portion of the public right-of-way necessary to create right angles at the northwest and southwest corners of Agency Parcel 13. (3.02.G)
- Amendment of the Redevelopment Plan. While Silverwing's proposed project is consistent with the Redevelopment Plan's focus of producing a mixed-use project in Victorian Square, some of

the specific locations of proposed land uses and other particulars of the Redevelopment Plan may need to be changed. The Agency and City agree to immediately initiate a review of the Redevelopment Plan and, if appropriate, diligently pursue amendment of the Redevelopment Plan. (3.02.H)

- Agency best efforts to acquire “Nugget” Parcel (Parcel 23). Silverwing has determined they can undertake their proposed project with or without parcels 23 and 24. Parcel 23 is owned by a third party while parcel 24 is owned by the Agency. The Agency agrees to undertake best efforts to acquire parcel 23 during the term of the ENA by offering its owner the opportunity to exchange it for other Agency owned property. If the Agency reaches a definitive agreement to acquire Parcel 23 on or before April 1, 2015, the DDA shall provide the Silverwing the opportunity to acquire and develop parcels 23 and 24. (3.02.I).
- Appraisals. The Agency shall obtain, prior to or during the term of this Agreement, summary and review appraisals for the parcels covered by the ENA. The appraisals shall be used to establish the price at which Silverwing will acquire property. (3.02.J).

These Agency and City commitments are subject to all applicable provisions of the Sparks Municipal Code and Nevada Revised Statutes, and the City Council and Agency Board maintain their legislative discretion.

Staff believes Silverwing Development’s proposed project represents a genuine chance to redevelop a portion of Victorian Square in furtherance of the Agency’s interests, the Victorian Square Development Plan and the TOD master plan. While there has also been some interest shown recently by other parties in developing Victorian Square, Silverwing has made a concerted effort to formulate and initiate due diligence on a project concept. Moreover, granting Silverwing the opportunity to pursue development of the property subject to the ENA does not preclude others from also pursuing a Victorian Square development project. In particular, the other parcels bordering Victorian Square plaza (parcels 10, 12, 25, and 28 on the property map) and along Victorian Avenue from east of the plaza to Bourbon Square (parcels 29-34) represent opportunities for development, particularly retail, dining and entertainment uses.

For these reasons, staff recommends that the City Council and Agency Board approve the proposed Exclusive Negotiating Agreement with Silverwing Development.

ALTERNATIVES:

Alternatives include not approving the proposed ENA with Silverwing Development, approving it subject to changes, or providing other direction.

RECOMMENDED MOTION:

I move to approve the Exclusive Negotiating Agreement with Silverwing Development.