

RESOLUTION NO. 3

Sparks Tourism Facility and Revitalization Steering Committee

A RESOLUTION ADVISING THE CITY COUNCIL OF THE CITY OF SPARKS CONCERNING CERTAIN PROJECTS AND CAPITAL IMPROVEMENTS AND THE EXPENDITURE OF TRANSIENT LODGING TAX PROCEEDS; CONCERNING ACTION TAKEN THEREON BY THE COMMITTEE; AND APPROVING CERTAIN DETAILS IN CONNECTION THEREWITH.

WHEREAS, the Sparks Tourism Facility and Revitalization Committee (the "Committee") is a political subdivision of the State of Nevada created pursuant to Chapter 432, Statutes of Nevada, as amended by AB 205 of the 2003 Legislative Session of the State of Nevada (the "Project Act"); and

WHEREAS, a tax at the rate of 2.5 percent of the gross receipts from the rental of transient lodging has been imposed in the City of Sparks (the "City"), pursuant to Section 6.6 of the Project Act (the "Lodging Tax"); and

WHEREAS, pursuant to Section 6.9 of the Project Act, the Committee initially developed a master plan to guide expenditures of the Lodging Tax in 2004 and amended it in 2008 and again in 2016 (the "2016 Master Plan"), that identifies:

- (1) proposed projects or capital improvements that the Committee determines to be advisable to promote tourism in Washoe County; and
- (2) the method or methods pursuant to which the proposed projects and capital improvements so identified will be financed; and

WHEREAS, the 2016 Master Plan identifies incentives for substantial upgrades to private Victorian Square entertainment venues and facilities that increase the regional appeal of such facilities as appropriate for the use of Lodging Tax proceeds provided the incentive is intended to fill an anticipated financial "gap" and leverages private investment; and

WHEREAS, Syufy Enterprises, which owns the currently closed Victorian Square cinema property, has requested Lodging Tax proceeds to fill an anticipated financial gap in the cost of renovating the facility's lobby entrance and concession areas and installing luxury recliners and state-of-the-art digital projection and sound systems throughout the facility; and

WHEREAS, these investments and renovations are necessary for a private, third-party operator to reopen the Victorian Square cinema facility and increase the regional appeal of this entertainment venue; and

WHEREAS, pursuant to Section 6.7.2 of the Project Act, the City Council of the City, before expending any proceeds of the Lodging Tax, must obtain the advice and recommendations of the Committee concerning such expenditure of the Lodging Tax; and

WHEREAS, the staff of the City have submitted a staff report (the "Staff Report") requesting (1) that the Committee provide advice and recommendations that the proposed project and capital improvements are intended to attract and expand tourism if they are used for retail, entertainment, recreational, scientific, cultural, historic or artistic purposes, (2) that the Committee provide advice and recommendations to the City Council of the City concerning the proposed expenditure of the proceeds of the Lodging Tax as described in the 2016 Master Plan and the Staff Report for (i) proposed projects and capital improvements that may be paid for with Lodging Tax proceeds, and (ii) the method or methods pursuant to which the eligible projects and capital improvements will be financed; and

WHEREAS, pursuant to Section 6.9 of the Project Act, projects and capital improvements must be approved by a two-thirds vote of the members of the Committee and must be located in that portion of the Sparks Town Center Project identified as Victorian Square or any other portion of the Sparks Town Center Project if the proposed project or capital improvement provides a direct benefit to a project or capital improvement located within Victorian Square, as determined by the Committee.

NOW, THEREFORE, BE IT RESOLVED BY THE SPARKS TOURISM FACILITY AND REVITALIZATION STEERING COMMITTEE, NEVADA:

Section 1. This resolution shall be known as the "2017 Victorian Square Project Approval Resolution" (the "Resolution").

Section 2. The Committee hereby adopts the advice and recommendations contained in the Staff Report attached hereto as Appendix 1.

Section 3. The Committee hereby determines that all projects and capital improvements identified in the 2016 Master Plan, subject to any stipulations contained therein, are advisable to promote tourism in Washoe County.

Section 4. The Committee hereby advises and recommends to the City Council that it expend up to \$1,500,000 of Lodging Tax proceeds beginning in City fiscal year 2017 to incentivize substantial renovation of the Victorian Square cinema facility, as generally provided for in the 2016 Master Plan.

Section 5. The Committee, and the officers thereof, are hereby authorized and directed to take all action necessary or appropriate to effectuate the provisions of this Resolution.

Section 6. All bylaws, orders, resolutions or parts thereof in conflict with this Resolution are hereby repealed. This repealer shall not be construed to revive any bylaw, order, resolution or part thereof heretofore repealed.

Section 7. If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity of unenforceability of the

section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

Section 8. This Resolution shall become effective and be in force immediately upon its adoption.

ADOPTED AND APPROVED BY A VOTE OF AT LEAST TWO-THIRDS OF THE SPARKS TOURISM FACILITY AND REVITALIZATION STEERING COMMITTEE THIS 31st DAY of JANUARY, 2017.


Chairperson

Attest:


Janet Stout, Secretary

STATE OF NEVADA)
)
COUNTY OF WASHOE) ss.
)
SPARKS TOURISM FACILITY)
AND REVITALIZATION)
STEERING COMMITTEE))

I am the Secretary of the Sparks Tourism Facility and Revitalization Steering Committee (the "Committee"), and do hereby certify:

1. The foregoing pages are a full and correct copy of a resolution designated as the "2016 Victorian Square Project Approval Resolution" (the "Resolution").

2. At the January 31, 2017 meeting of the Committee, the Resolution was passed and adopted. The members of the Committee voted on the passage of the Resolution and were present at such meeting as follows:

AYES: BYBEE, CUNNINGHAM, WINTERS, WOODHEAD (proxy for WINTERS)
NAYS: LAWSON
ABSENT: WINTERS
ABSTAIN: N/A

3. All members of the Committee were given due and proper notice of such meeting.

4. Public notice of such meeting was given and such meeting was held and conducted in full compliance with the provisions of NRS 241.020. A copy of the notice of meeting containing the time, place, location and an excerpt from the agenda for the meeting relating to the Resolution, as posted at least 3 working days in advance of the meeting on the Committee's website, if any, at the Committee's office and at:

- (i) Sparks City Hall
431 Prater Way
Sparks, Nevada
- (ii) Sparks Legislative Building
745 4th Street
Sparks, Nevada
- (iii) Sparks Recreation Center
98 Richards Way
Sparks, Nevada
- (iv) Alf Sorensen Community Center
1400 Baring Boulevard
Sparks, Nevada
- (v) Sparks Fire Department
1605 Victorian
Sparks, Nevada

5. Prior to 9:00 a.m. at least 3 working days before such meeting, such notice was mailed to each person, if any, who has requested notice of meetings of the Committee in compliance with NRS 241.020(3) by United States Mail, or if feasible and agreed to by the requestor, by electronic mail.

IN WITNESS WHEREOF, I have hereunto set my hand this 31st day of January, 2017.



Janet Stout
Secretary

Sparks Tourism Facility and Revitalization
Steering Committee

Sparks Tourism Facility and Revitalization Steering Committee

Agenda Item 8.3

Meeting Date: January 31, 2017

Note: this Staff Report serves Exhibit 1 to Resolution No. 3 which it accompanies

Subject

Consideration of and possible adoption of Resolution No. 3 Advising the City Council of the City of Sparks Concerning Certain Projects and Capital Improvements and the Expenditure of Transient Lodging Tax Proceeds; Concerning Action Taking Thereon by the Committee; and Approving Certain Details in Connection Therewith.

Resolution No. 3 advises and recommends to the City Council that it expend up to \$1,500,000 of Lodging Tax proceeds beginning in City fiscal year 2017 to incentivize substantial renovation of the Victorian Square cinema facility, as generally provided for in the 2016 Master Plan.

Presenter

Armando Ornelas, Assistant Community Services Director, City of Sparks

Recommendation

City staff recommends that the Committee adopt Resolution No. 3.

Agenda Item Brief

This agenda item asks the Committee to review and adopt Resolution No. 3, also referred to as the 2017 Victorian Square Project Approval Resolution. By adopting Resolution No. 3 the Committee would advise and recommend to the City Council that it expend up to \$1,500,000 of Lodging Tax proceeds, beginning in City fiscal year 2017, to incentivize substantial renovation of the Victorian Square cinema facility.

Syufy Enterprises, which owns the currently closed cinema property, has requested Lodging Tax proceeds to fill an anticipated financial gap in the cost of renovating the facility's lobby entrance and concession areas and installing luxury recliners and state-of-the-art digital projection and sound systems throughout the facility. Syufy intends to lease the Victorian Square cinema property to Galaxy Theatres, which operates the 12 screen Galaxy Sparks IMAX Luxury+ cinema in the Legends shopping center. The estimated total cost for these renovations to the Victorian Square facility is \$7,600,000. Per the proposed terms agreed to between Syufy Enterprises and City staff (see Exhibit A) for the provision of financial assistance for this project, Syufy and Galaxy would collectively invest at least \$6,100,000 while the City would contribute \$1,500,000 from lodging taxes. The proposed terms obligate Galaxy to reopen the renovated cinema facility to the public prior to December 31, 2017.

The Committee's 2016 Master Plan identifies incentives for substantial upgrades to private Victorian Square entertainment venues and facilities that increase the regional appeal of such facilities as appropriate for the use of Lodging Tax proceeds provided the incentive is intended to fill an anticipated financial "gap" and leverages private investment.

Background

In 2003, the Nevada Legislature enacted, and the Governor signed into law, Assembly Bill 205. This legislation, subsequently codified in Chapter 432, Statutes of Nevada, Sec. 6.6 to 6.9, imposed an additional tax at the rate of two and half percent (2.5%) on the gross receipts from the rental of transient lodging in the City of Sparks ("Lodging Tax"). The Lodging Tax is paid to the Reno-Sparks Convention and Visitors Authority which distributes the proceeds to the City Council of Sparks. The City Council may expend these proceeds after obtaining the "advice and recommendations" of the Sparks Tourism Facility and Revitalization Steering Committee ("Committee"), which is created per Sec. 6.8 of Chapter 432.

The Committee is required, per Sec. 6.9 of Chapter 342, to develop a master plan that identifies:

- Proposed projects or capital improvements that the Committee has determined would be advisable to promote tourism in Washoe County.
- Method(s) pursuant to which the proposed projects and capital improvements identified in the plan will be financed.

The Committee first adopted a Master Plan in 2004, amended it in 2008 and amended it again in 2016. The 2016 update specifically identifies incentives for substantial upgrades to private Victorian Square entertainment venues and facilities that increase the regional appeal of such facilities as appropriate for the use of Lodging Tax proceeds provided the incentive is intended to fill an anticipated financial "gap" and leverages private investment. However, no specific private retail or entertainment projects were identified for funding in the 2016 Master Plan. The 2016 plan specifies, therefore, that any proposed expenditures of Lodging Tax proceeds to incentivize private retail or entertainment capital projects need a Committee recommendation, in the form of a resolution, to the Sparks City Council.

Analysis

This agenda item asks the Committee to review and adopt Resolution No. 3. By doing so, the Committee would advise and recommend to the City Council that it expend up to \$1,500,000 of Lodging Tax proceeds to incentivize substantial renovation of the Victorian Square cinema facility. Syufy Enterprises, which owns the currently closed cinema property, has requested Lodging Tax proceeds to fill an anticipated financial gap in the cost of renovating the facility's lobby entrance and concession areas and installing luxury recliners and state-of-the-art digital

projection and sound systems throughout the facility (the "Project"). Syufy intends to lease the Victorian Square cinema property to Galaxy Theatres, which operates the 12 screen Galaxy Sparks IMAX Luxury+ cinema in the Legends shopping center. The estimated total cost for these renovations to the Victorian Square facility is \$7,600,000. Exhibit B to this staff report provides photos of other Galaxy Theatres facilities that are representative of how Galaxy is proposing to remodel the Victorian Square cinema facility. A Galaxy representative will provide additional information during the Committee's January 31st meeting.

The proposed terms agreed to between Syufy Enterprises and City staff for the provision of financial assistance to this project are provided for the Committee's review as Exhibit A to this staff report. Key proposed terms include the following:

- Project deadline. The Project must be completed and be open to the public prior to December 31, 2017.
- Syufy and Galaxy will collectively invest at least \$6,100,000.
- The City will pay \$1,500,000 to Syufy from Lodging Tax proceeds as follows: i) \$1,000,000 upon the opening of all 14 auditoriums of the Project to the general public; and, ii) provided the Project remains open to the public, \$100,000 per year for five years.
- Prior to the initial payment, Syufy will provide the City a signed and recorded Memorandum of Lease between Syufy and Galaxy for the Project. The Memorandum of Lease will provide the City the ability to verify that the lease grants Galaxy Theatres an initial lease term of at least 10 years while prohibiting Galaxy during that same period from removing the fixtures, furnishings and equipment installed in the Project unless such removal is for the immediate replacement or to enhance the facility.
- Obligates the City to consider requests from Syufy or Galaxy for improvements to the lighting in the parking garage adjacent to the cinema building and cosmetic improvements in the public areas in front of the cinema.

In the view of City staff, who were advised by private retail and cinema consultants, the proposed financial assistance amount of \$1,500,000 will close a financial gap for Syufy Enterprises and Galaxy Theatres, enabling these companies to achieve sufficient projected cashflow to make the investments necessary for them to renovate and reopen the currently closed Victorian Square theater.

The reopening of an improved Victorian Square cinema would advance the Sparks' goal of

creating a highly energized, mixed-use district to draw local residents and visitors. With over 500 residential units recently completed or currently under construction, the biggest challenge for the Victorian Square project area is the need for complementary activity-generating uses, including additional retail, dining and entertainment uses, that will draw visitors to Victorian Square even when special events are not occurring. Most immediately, Silverwing Development, which is constructing the adjacent Fountainhouse at Victorian Square and the Bridges apartment communities, intends to develop – if the theater is going to reopen – a pair of mixed-use buildings on the grass pads directly in front of the theater. These new buildings would include restaurant/retail spaces on the ground floor directly facing the entrance to the theater building.

As indicated in Exhibit C to this staff report, the City can provide Syufy Enterprises the \$1,500,000 for the Victorian Square cinema remodel project. While Exhibit C is a hypothetical cash flow analysis, it reflects the 2016 Master Plan, including previously approved as well as anticipated expenditures of Lodging Tax proceeds for the Victorian Square Infrastructure Improvement and Public Art projects. It also demonstrates that there is sufficient funding, based on projected revenues and expenditures, for the Committee and City Council to fund other projects over the period through fiscal year 2022.

If the Committee adopts Resolution No. 3, City staff will forward it to the City Council. In addition, City staff will proceed to prepare a full Financial Assistance Agreement with Syufy Enterprises for the Victorian Square cinema renovations for consideration and possible approval by the City Council.

Alternatives

The Committee's alternatives to approving Resolution No. 3 as presented include approving it with changes or providing direction to City staff for revision and consideration by the committee at a future meeting.

Motion

I move to approve Resolution No. 3 as presented.

Respectfully submitted,



Armando Ornelas
Assistant Community Services Director
City of Sparks

Exhibits:

- A. Proposed Terms, Financial Assistance Agreement, Victorian Square Cinema Facility Renovations**
- B. Photos of other Galaxy Theatres Facilities**
- C. Hypothetical Cash Flow Analysis with Inclusion of Requested Funding for Victorian Square Cinema Renovations**

Exhibit A

Proposed Terms Financial Assistance Agreement Victorian Square Cinema Facility Renovations

1. The Parties: the City of Sparks ("City"); Syufy Enterprises ("Syufy").
2. Project and Improvements.
 - A. In accordance with a lease between Syufy and Galaxy Theatres or its affiliate ("Galaxy") with respect to the remodeling, re-opening, and operation of the 14-screen cinema located at 1250 Victorian Avenue in Sparks, NV (the "Project"), all 14 auditoriums will be renovated with luxury recliners and state-of-the-art digital sound systems will be installed throughout the facility. The facility's lobby entrance and concession areas will be renovated with finishes comparable to the quality found at Galaxy's cinema facility at The Legends, Sparks.
 - B. Concept plans will be provided to the City prior to, and for review and consideration by, the Sparks Tourism Facility and Revitalization Steering Committee and the Sparks City Council.
 - C. The Project must be completed and be open to the public prior to December 31, 2017.
3. Financial Contributions.
 - A. Syufy and Galaxy will collectively invest at least \$6,100,000 (secured from internal and third-party sources) in renovating the Project and installing fixtures, furnishings, and equipment ("FF&E"). At the request of the City, Syufy will provide on a confidential basis reasonable documentation of its and Galaxy's respective investments in the Project, up to \$6,100,000.
 - B. The City will pay \$1,500,000 to Syufy from lodging taxes (specifically those resulting from 2003 AB 205 for tourism enhancing capital projects in Victorian Square) as follows:
 - i. \$1,000,000 upon the opening of all 14 auditoriums of the Project to the general public (the "Initial Payment").
 - ii. Provided the Project remains open to the public, \$100,000 per year for five years payable each year within 10 business days of the anniversary of the 2017 re-opening of the Project to the public (each an "Annual Payment").
 - iii. The City may pursue all legal options to recapture funds paid to Syufy if the Project closes prior to the 5th anniversary of its re-opening

(other than temporary closures due to casualty, force majeure, or remodeling).

4. The City's conditions precedent to making the Initial Payment to Syufy.
 - A. Syufy will provide the City and the City's designated consultant a signed and recorded, in Washoe County, Memorandum of Lease between Syufy and Galaxy for the Project. The Memorandum of Lease shall identify the parties to the lease, describe the leased premises including the parties' respective rights regarding fixtures, furnishings and equipment ("FF&E"), set forth the initial term and any options terms for the lease, and identify the term commencement date.

5. Other City conditions.
 - A. The executed lease between Syufy and Galaxy for the Victorian Square cinema facility shall:
 - i. Contain an initial lease term of at least 10 years (the "Minimum Lease Term").
 - ii. Prohibit Galaxy, during the Minimum Lease Term, from removing FF&E installed in the Project unless such removal is for the immediate replacement of said FF&E or to enhance the facility.
 - B. Syufy shall maintain or require Galaxy to maintain commercial general liability insurance (to be further specified) covering the Victorian Square cinema facility in the amount of at least \$2,000,000 combined single limit per occurrence for bodily injury, personal injury and property damage.
 - C. Each party to this Agreement shall indemnify, hold harmless and defend the other party from and against all liability to the extent caused by the negligent act, omission or willful misconduct of said party in the performance of its obligations under this Agreement.

6. Other City Improvements
 - A. Parking garage lighting. The City agrees to consider specific requests from Syufy or Galaxy for upgrades to the lighting in the City parking garage adjacent to the Project (the "Garage"). The City reserves full discretion, once the nature and cost of the upgrades are understood, regarding whether to make the requested improvements and the timing of the improvements. Notwithstanding the foregoing, the City agrees to agendize consideration of lighting and other projects in and around the Garage and the Project as part of its annual Capital Improvements Plan at one or more City Council meetings, and provide Syufy with at least 10 days' notice thereof, so that Syufy, Galaxy, and members of the public may be present and participate in the hearing.
 - B. Cosmetic improvements in the public areas in front of the Victorian Square cinema facility. The City agrees to consider specific requests from Syufy or Galaxy for cosmetic improvements to the public areas in front of the

Victorian Square movie theater. The City reserves full discretion, once the nature and cost of the upgrades are understood, regarding whether to make such improvements and the timing of the improvements. As the expected source of funding for any such improvements is the previously referenced lodging taxes, discretionary approvals are required from the Sparks Tourism Facility and Revitalization Steering Committee and the Sparks City Council.

- C. Walkway from City parking garage to cinema facility. The City will coordinate with Silverwing Development, which is responsible for the residential and retail construction on adjacent parcels, to maintain a well-lit walkway from the Garage to the Victorian Square cinema facility for the duration of construction.

Exhibit B

Photos of other Galaxy Theatres Facilities



COMBOS	DRINKS	SODA	POPCORN	TREATS
Adventure 1 Lg Popcorn & 1 Lg Soda \$12.99	1 Lg Popcorn \$4.99	1 Lg Soda \$2.99	1 Lg Popcorn \$4.99	1 Lg Popcorn \$4.99
Adventure 1 Lg Popcorn & 1 Lg Soda \$12.99	1 Lg Popcorn \$4.99	1 Lg Soda \$2.99	1 Lg Popcorn \$4.99	1 Lg Popcorn \$4.99
Adventure 1 Lg Popcorn & 1 Lg Soda \$12.99	1 Lg Popcorn \$4.99	1 Lg Soda \$2.99	1 Lg Popcorn \$4.99	1 Lg Popcorn \$4.99
Adventure 1 Lg Popcorn & 1 Lg Soda \$12.99	1 Lg Popcorn \$4.99	1 Lg Soda \$2.99	1 Lg Popcorn \$4.99	1 Lg Popcorn \$4.99

POPCORN

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Diet Coke
All Refreshment!

Starburst
Santitas
Milk Duds
Junior Mints
Milk Duds
Junior Mints







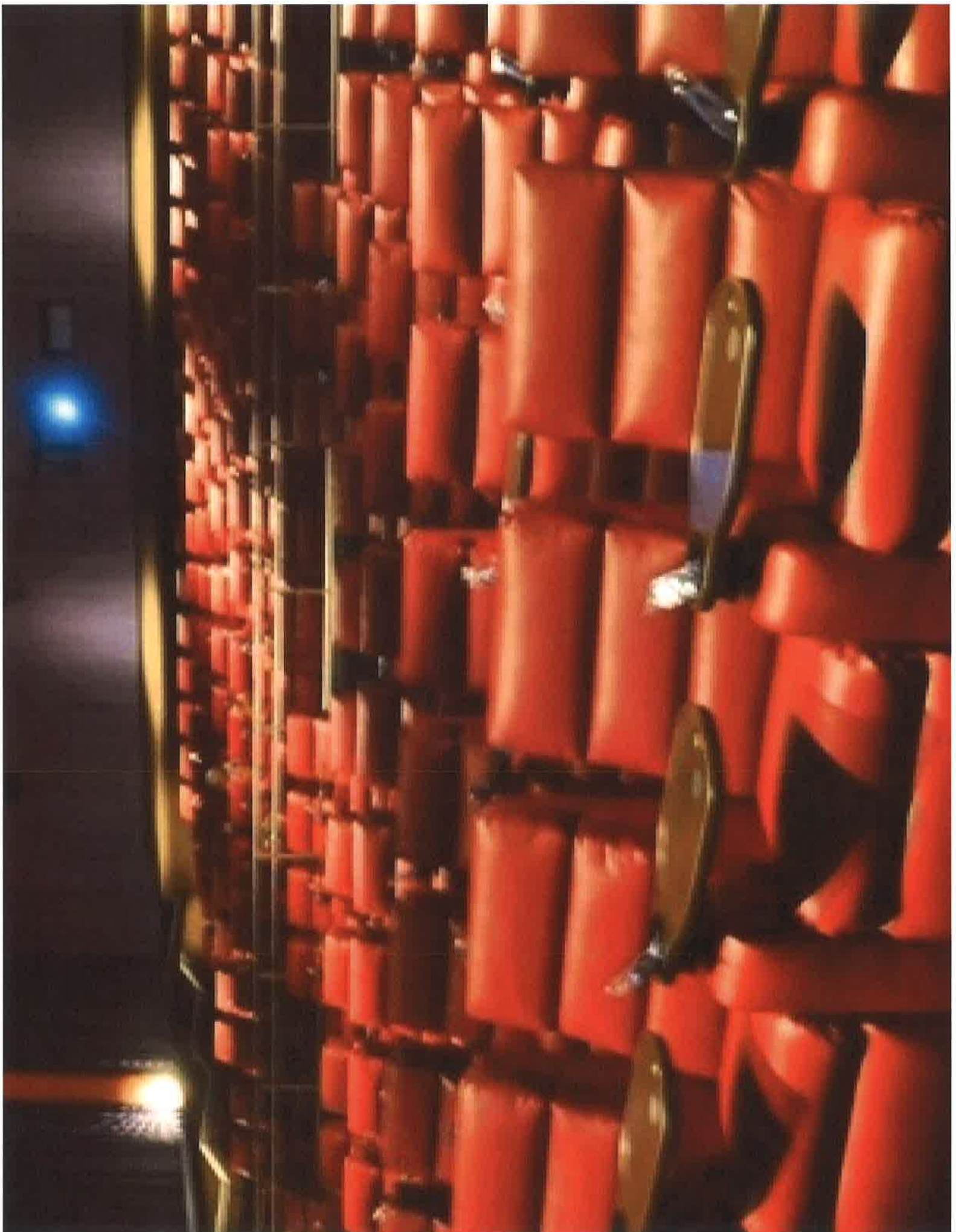
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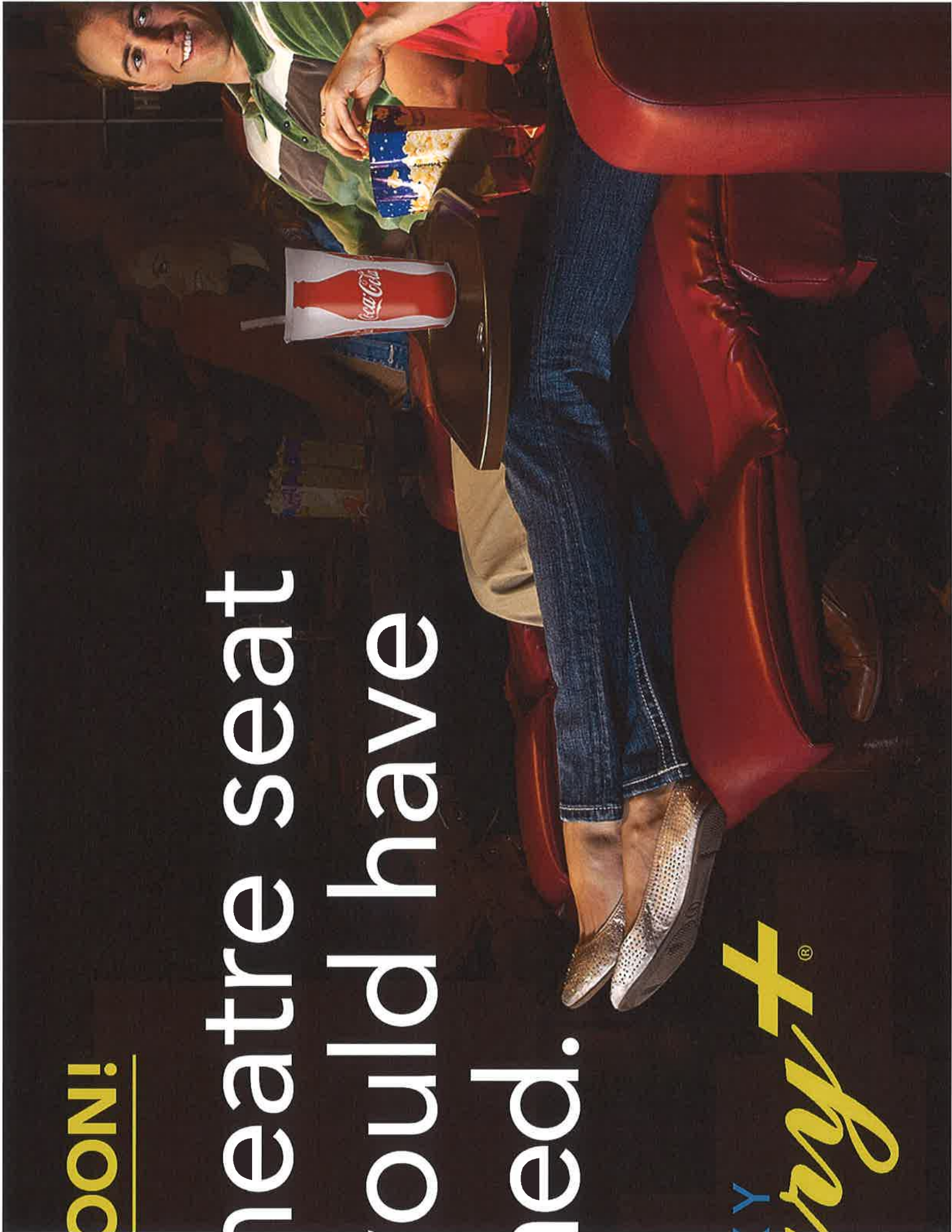


Exhibit C
Hypothetical Cash Flow Analysis with Inclusion of Requested Funding for Victorian Square Cinema Renovations
Victorian Square Transient Lodging Tax Fund
31-Jan-17

Fund Balance	Expenditures	Projected Revenues*
6/30/2016 \$ 3,439,848	Fiscal Year 2017	
	Vict Sq Infrastructure (Streetscape) Revitalization Section 1	\$ 400,000
	Vict Sq Public Art	\$ 75,000
	Vict Square cinema renovations	\$ 1,000,000
	Total FY 2017	\$ 1,475,000 \$ 875,000
6/30/2017 \$ 2,839,848	Fiscal Year 2018	
	Vict Sq Infrastructure (Streetscape) Revitalization Sections 2-5	\$ 1,350,000
	Vict Sq Public Art	\$ 75,000
	Vict Square cinema renovations	\$ 100,000
	Total FY 2018	\$ 1,525,000 \$ 925,000
6/30/2018 \$ 2,239,848	Fiscal Year 2019	
	Vict Sq Infrastructure (Streetscape) Revitalization Sections 6-7	\$ 450,000
	Vict Sq Public Art	\$ 75,000
	Vict Square cinema renovations	\$ 100,000
	Other project(s)	\$ 1,000,000
	Total FY 2019	\$ 1,625,000 \$ 975,000
6/30/2019 \$ 1,589,848	Fiscal Year 2020	
	Vict Sq Public Art	\$ 75,000
	Vict Square cinema renovations	\$ 100,000
	Other project(s)	\$ 1,100,000
	Total FY 2020	\$ 1,275,000 \$ 1,025,000
6/30/2020 \$ 1,339,848	Fiscal Year 2021	
	Vict Sq Public Art	\$ 75,000
	Vict Square cinema renovations	\$ 100,000
	Other project(s)	\$ 1,100,000
	Total FY 2021	\$ 1,275,000 \$ 1,075,000
6/30/2021 \$ 1,139,848	Fiscal Year 2022	
	Vict Sq Public Art	\$ 75,000
	Vict Square cinema renovations	\$ 100,000
	Other project(s)	\$ 1,100,000
	Total FY 2022	\$ 1,275,000 \$ 1,125,000
6/30/2022 \$ 989,848		

* Projected Revenues prepared by City of Sparks Financial Services Director