

CARSON CITY REDEVELOPMENT AUTHORITY

Minutes of the July 7, 2016 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 7, 2016 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Karen Abowd
Vice Chairperson Jim Shirk
Member Lori Bagwell
Member Brad Bonkowski
Member Robert Crowell

STAFF: Nick Marano, City Manager
Sue Merriwether, Clerk - Recorder
Adriana Fralick, Chief Deputy District Attorney
Cheryl Eggert, Deputy Clerk
Kathleen King, Chief Deputy Clerk

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.

16. CALL TO ORDER AND ROLL CALL (9:14:43) - Chairperson Abowd called the meeting to order at 9:14 a.m., noting the presence of a quorum.

17. PUBLIC COMMENT(9:14:56) - Chairperson Abowd entertained public comment; however, none was forthcoming.

18. POSSIBLE ACTION ON APPROVAL OF MINUTES - May 19, 2016 and June 2, 2016 (9:15:11) - Chairperson Abowd introduced this item, and entertained a motion. **Member Bonkowski moved to approve the minutes, as presented. Member Shirk seconded the motion. Motion carried 5-0.**

19. CITY MANAGER - POSSIBLE ACTION TO RECOMMEND TO THE BOARD OF SUPERVISORS APPROVAL OF THE FIRST AMENDMENT TO THE THIRD AMENDED AND RESTATED COMMITMENT AGREEMENT FOR CONTINUING BUSINESS OPERATION, BETWEEN CARSON CITY AND RICHARD CAMPAGNI (9:15:33) - Chairperson Abowd introduced this item. Mr. Marano reviewed the late materials which had been distributed prior to the start of the meeting, provided background information on this item, and reviewed the staff report.

(9:18:36) Chairperson Abowd invited Mr. Campagni to the meeting table. Mr. Campagni reviewed details of the history of his business in Carson City, and introduced a video presentation. Chairperson Abowd commended the video presentation, noting the importance of community partnership.

In response to a question, Mr. Marano explained that the incentive would be paid through the Redevelopment Authority. He clarified, "those dollars could either be redevelopment dollars or ... general fund dollars. ... currently, the Redevelopment Authority is reimbursing the general fund about \$480,000 for the Hohl Agreement. That will end, so there will be additional redevelopment dollars available in the

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near future.” Mr. Marano advised of having “freed up about \$200,000 in redevelopment money by moving salaries that should be in the general fund back into the general fund. ... We also terminated a lot of the agreements we had with the BRIC so we were able to free up additional dollars. So, it's a good policy-level question as to whether you want that to be general fund dollars or whether you want it to be redevelopment dollars.”

In response to a question, Chief Financial Officer Nancy Paulson advised that the Hohl Agreement will be paid off in FY 2018. In further response to a previous question, Mr. Marano explained that “at the end of calendar year 2016, if the Board approves this item, the City will deem the Campagni Auto Group as having fulfilled the requirements of the promissory note. So what that means is, throughout all of calendar year 2017, we're going to monitor ... their monthly sales numbers ... At the end of 2017, when we get the final numbers from [the Department of] Taxation, the CFO will then calculate what the ten percent would be, in terms of providing an incentive back to the Campagni Auto Group. At today's dollars, as Mr. Campagni said, he generated about \$1.7 million in revenue to the City. So, if we were going to use the 2015 number, that would be \$170,000 in terms of an incentive. That would be paid somewhere in January 2018 ... depending on when we get those final numbers from [the Department of] Taxation. So, ... we'd go through 2017 and then, when we get the final numbers, we would then calculate based on that calendar year, what the incentive would be.”

Supervisor Bagwell questioned the necessity of the proposed amendment. Mr. Marano reviewed the history of the agreement. “... it started in 2005, we went through a pretty tough spot in terms of the recession. But, post-recession, the sales numbers from the Campagni Auto Group and, therefore, the ... tax revenue to the City has increased substantially. From 2014 to 2015, we went from \$1.49 million to \$1.7 million in revenue that the City collected from the Campagni Auto Group. That number is going to continue to grow. I've looked at some of the monthly numbers already in 2016 so I think we're going to see good growth in the revenue from the Campagni Auto Group. He's made a commitment to stay in Carson City. I believe they employ about 200 employees; many of them make significantly more than median wage here in Carson City. The commitment to the redevelopment area, in terms of improving the overall look not just of his Ford store, but I think it improves the overall look of the redevelopment area; that drives additional traffic, not just to the Ford store, which is really what we're talking about. That's the nexus to this agreement is the \$1.8 to \$2 million or so that he's putting into his Ford store and looking for a partnership and incentive from the City in terms of providing a return on investment, not only for him but for us. ... To be able to have a reliable partner to the City, someone who's interested in improving the entire redevelopment area; it'll drive additional traffic, not only to the Ford store, but also to the competitors. ... people tend to comparison shop when they're going to spend \$35,000 to \$50,000 on a new vehicle. So, we would expect to see continued growth on an annual basis in the Campagni Auto Group's top line numbers, total sales as well as taxable revenue to the City. We'll see an improvement in the redevelopment area itself. We've got an item later where we're going to talk about South Carson Street. I think those car dealers are the retail anchor for Carson City. As the freeway gets completed, I'm very concerned because our retail center of gravity is South Carson Street. Those car dealers are the anchor that drive the traffic down there. And, as the freeway is completed and we're looking at South Carson Street potentially going from 45,000 cars a day to under 25,000 cars a day, being able to have showplace retail establishments, that's going to create that destination that people are going to drive to, and as they go there, they're also going to go to Buffalo Wild Wings or Burlington Coat Factory or whatever. So, I think it's an important part of maintaining the health of the redevelopment area.”

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Supervisor Bagwell discussed concern over “be[ing] fair to every other business in Carson City that is also a good partner and is also generating sales tax.” Mr. Marano offered to provide the Redevelopment Authority incentive policy to Supervisor Bagwell. He explained, “the incentive agreement to rebate sales tax is not unprecedented. We do it for other retail establishments within the redevelopment area. And, again, ... those are much less beneficial to the City in terms of revenue. New car sales, building materials, ... if there are a couple of areas that I would focus on in order to drive additional revenue, they'd be the two that I would start with because they provide, together on a monthly basis it varies, ... somewhere close to about 50 percent of our sales tax revenue from just those two major categories. ... so, to be able to provide a tax rebate where there's no additional money coming out of the taxpayers' pocket, but it's just based off of the revenue that the City receives is ... a good deal because we're not bonding for it, we're not committing ... future revenue. We're going to rebate a portion of the revenue, in partnership, that the City takes in. ... again, it's not without precedent. There are three or four other retail establishments, which generate significantly less revenue, that we have these type of agreements. This ten percent rebate is already in the agreement. Whether this amendment gets approved or not today, somewhere in 2018, we're going to start paying the Campagni Auto Group a ten percent incentive.

“The question before the Board ... is the partnership with the Campagni Auto Group and is the improvement to the redevelopment area worth the incentive of about \$170,000 a year for a year and a half, maybe two years? ... again, the total investment he's putting into the Ford store is about \$1.8 to \$2 million to use Mr. Campagni's number. So, is \$368,000 ... a reasonable partnership based on the sales and the revenue that Campagni Auto Group generates?”

Chairperson Abowd suggested considering the proposal as “a façade improvement program and a reasonable business negotiation to get there. ... it works, in a business sense. It's a great partner in the community, not that other businesses aren't, but it's a scale of negotiation that needed to be created for a larger operation. ... in terms of redevelopment, it fits what we're going to forward on in our façade improvement program.” Discussion followed.

Supervisor Shirk commended Mr. Campagni on his community partnership, but suggested “that's not what we're here today to discuss. We have a lot of people do a lot of good things in Carson City.” Supervisor Shirk expressed the opinion that Mr. Campagni expanded his business “for his business ... to bring more business there. To come back and say, 'I did this and it meets the criteria of the redevelopment areas' now, ... is ... the wrong approach. He should've came here first ...” Supervisor Shirk expressed confusion over “the dollar amount ... difference. Who gains, who loses?” He expressed confusion over “the benefit of signing this today ... What is the dollar amount difference? I see no logical explanation to say yes to this.”

Mr. Marano suggested considering “a reasonable growth rate of under ten percent. So, if the Campagni Auto Group is growing, on an annual basis, ... their total sales and the total revenue to the City, by the time we pay the incentive, somewhere in January of 2018, in terms of the additional revenue from the additional sales, it'll be close to a wash. It's all a projection at this point so I don't know. ... we could ask Mr. Campagni to talk about his sales to date and we can then extrapolate what it might be on December 31st and try to come up with a better forecast number. But the total impact to the City, in terms of paying the incentive on current year numbers, is about \$170,000 a year. The question is does the Campagni Auto Group grow their sales, are they ... paying for that incentive or not. Come 2018, regardless of what this Board does today, we're going to start paying the incentive regardless. So, again, ... are the improvements that the Campagni Auto Group has made to the Ford store, in terms of increasing traffic, improving the

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overall look of the redevelopment area, that's really the ... nexus ..., worth the incentive per year for a year and a half or for a two-year period." Mr. Marano, Ms. Paulson, and Community Development Director Lee Plemel responded to questions of clarification, and extensive discussion ensued.

Chairperson Abowd entertained additional Redevelopment Authority member discussion and, when none was forthcoming, public comment. (10:14:31) Mayoral Candidate Chris Carver reviewed what he considered to be "several fundamental flaws with this document." He expressed the opinion there is "no rationale ... why we should amend that agreement now for it to provide additional profit to Mr. Campagni. ... We're setting a bad precedent ... If we are going to provide incentives to car dealers, then we need to have crystal clear policy on what it is that the City, our citizens, are willing to do for every dealership that may want to come here."

Chairperson Abowd entertained additional public comment and, when none was forthcoming, a motion. **Member Crowell moved to recommend to the Board of Supervisors approval of the First Amendment to the Third Amended and Restated Commitment Agreement for Continuing Business Operation, between Carson City and Richard Campagni.** Member Crowell commented, "this is an existing agreement that we have and have had for a long period of time with this entity. It's a valuable counterparty to an agreement. ... it's extremely important to have the commitment that they're going to remain in this location because I've seen what happens when large companies move and there was a threat, when I first became Mayor, for large companies to move. ... the commitment to stay is an important element of this and ... there is a distinction because this is an existing agreement ..." **Member Bonkowski seconded the motion.** Chairperson Abowd entertained discussion on the motion. In response to a question, Member Bonkowski requested Mr. Marano to designate "where the money's going to come from. Secondly, ... we need to have a clear and concise policy on incentives." Member Bonkowski concurred with Member Crowell's comments "that citizens are getting something back on this deal. They get a commitment from the number one sales tax producer in Carson City to continue doing business in Carson City for an additional five years. So ... we have to decide where this money is coming from. That's not part of this item so it needs to come back to us ... at the next meeting." Supervisor Bagwell expressed concern over taking action without having identified a "payment source." Supervisor Shirk commended the Campagni Auto Group on being the number one sales tax producer in Carson City. He discussed concerns over amending the agreement, and expressed opposition to taking action without having identified the funding source. Member Crowell pointed out that the "funding source has not been an issue since this was started ..." Following a brief discussion, Member Bonkowski clarified, "Our decision is not where the money's coming from. It's are we going to pull it from redevelopment or ... from the general fund? That's the question; that's what we need to clarify. The money is there ... We're collecting the sales tax; we're going to rebate a portion of it. We just have to decide which account it's going to come from." Member Bagwell pointed out that a two-thirds majority vote would be required if the rebate is allocated from the redevelopment revolving fund. She felt "boxed in ... that if I don't vote for this and I don't want it to come out of the general fund ..., then am I forced to vote yes when it comes to redevelopment funding? I just feel boxed in and that we're not doing the right thing by discussing the funding sources. And I don't like votes that force future boards to have to make decisions and we should ... do what's right here, right now ..." Chairperson Abowd entertained additional discussion and, when none was forthcoming, called for a vote on the pending motion.

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RESULT:	Approved [3 - 2]
MOVER:	Member Robert Crowell
SECOND:	Member Brad Bonkowski
AYES:	Members Crowell, Bonkowski and Chair Abowd
NAYS:	Member Bagwell, Vice Chair Shirk
ABSENT:	None
ABSTAIN:	None

20. PUBLIC COMMENT (10:23:51) - Chairperson Abowd entertained public comment; however, none was forthcoming.

21. ACTION TO ADJOURN (10:23:56) - Chairperson Abowd adjourned the meeting at 10:23 a.m.

The Minutes of the July 7, 2016 Carson City Redevelopment Authority meeting are so approved this 18th day of August, 2016.

KAREN ABOWD, Chair

ATTEST:

SUSAN MERRIWETHER, Clerk - Recorder