

MINUTES OF THE SPECIAL MEETING
HOUSING AUTHORITY OF THE CITY OF RENO
BOARD OF COMMISSIONERS
February 5, 2020

The special meeting of the Board of Commissioners of the Housing Authority of the City of Reno (Agency) was called to order by Chairman Scott at 3:37 pm on Wednesday, February 5, 2020 in the Agency's Board Room.

Commissioners Present

Dick Scott, Chairman
Mark Sullivan, Vice Chairman
Mayor Hillary Schieve
Alana Dixon-McAllister
Barbara Wilhellms

Staff Present

Amy Jones, Executive Director
Chuck Zeh, Legal Counsel
Mishon Hurst, Deputy Executive Director
Heidi McKendree, Director of Rental Assistance
Brett Simerly, Director of Development
Maribel Martinez, Director of Asset Management
Kathy Merrill, Executive Administrative Assistant

Staff Absent

Brent Boynton, Community Outreach Coordinator
Cathy Steed, Elderly Services Administrator

Others Present

Garrett Gordon, Lewis Roca Rothgerber Christie LLP

There being a quorum present, the order of business was as follows:

- **Call to order and roll call.**
- **Receive introduction of guests.**

Public Comment. Public comment, if any, must be limited to any item on the Agenda which is listed as an item for action by the Board. Comment from the public is limited to three minutes per person, under these items.

Attorney Garrett Gordon, representing Jeff Jacobs of Jacobs Entertainment, expressed Jeff Jacob's gratitude for the opportunity to partner with the Reno Housing Authority. Attorney Gordon reviewed a document summary of the details from the original Option and Purchase and Sale Agreement, the Exercise Notice and the appraisal.

Attorney Gordon stated Jacobs Entertainment desire is to be part of the affordable housing solution. By extending the period of time to keep the current tenants in the property and through attrition, in the three years, would then convert the property potentially to market rate. The Due Diligence period was amended as well as the closing date of the sale by two amendments to the sale. Keeping the tenants in the property longer would be a win-win for both parties involved. Jacobs will not go right into market rent but needs to have the ability to finance the sale transaction. Some

tenants of this property are still at old HUD rent rates of between \$425 and \$500, less than what a typical HUD rent is now. Financing the property has become challenging with the low rents.

Attorney Gordon presented a proposal that Jacobs believes is a win-win, which also includes valuable input from Legal Counsel Zeh and Executive Director Jones. The proposal includes capping the rents at the RHA amount for three years, purchase price to be reduced to \$2.127 million. This would be the appraised value less the agreement to keep these rents at \$783 for a period of three years. RHA is still responsible for relocating any sub \$783 tenants for three years. In other words, the tenants paying less than \$783, that RHA would relocate those tenants and have three years to do this. RHA would pay the difference of those rents between \$783 and the approximately \$450 for a period of time. There would be an escrow holdback to help pay that difference. By attrition or tenants relocating on their own, then the escrow funds would be released to the RHA. A penalty is included in the proposal, but is up for debate, of \$250,000 if all sub \$783 tenants are not relocated in three years due to the lender requirements. If tenants remain for less than sub \$783, it costs Jacobs money for interest rates and refinancing. Through attrition, with 59 units, nine are open now, making 50 units within three years by attrition and relocation, it shouldn't be a problem.

Attorney Gordon expressed that this proposal is a win-win for both parties. This is a good partnership and the community needs an affordable housing building, which with this proposal, the property remains affordable for three years. The financial side allows Jacobs to finance the transaction, capping the rents at three years.

➤ **Approval of agenda (For Possible Action)**

It was moved by Vice Chairman Sullivan to approve the agenda posted on January 29, 2020. Commissioner Dixon-McAllister seconded the motion. Hearing no further discussion, Chairman Scott called for the question. The vote was all ayes, no nays. Chairman Scott declared the motion carried and the agenda approved.

- 1. Closed Session: Sale of Sarrazin Arms Apartments (541 W. 3rd Street, Reno NV 89503) Option and Purchase and Sale Agreement. Closed session to deliberate on the Third Amendment to the Option to Purchase agreement being proposed by the purchaser, Reno Real Estate Development, LLC. No action may be taken on this item during the closed session, but the Board may deliberate in private concerning the amendment being placed on the table as well as to consider possible options that might be available to the RHA as possible counter proposals.**

Commissioner Schieve disclosed the fact that she has a personal relationship with Jessica Sferrazza by the following statement; I understand she has been retained by the applicant as a consultant on the project. On this matter, I have sought guidance from our City Attorney's office. I do not have any commitments, financial ties or obligations to her in any capacity. Please accept this disclosure for the record. Commissioner Schieve disclosed further that she has met Jessica Sferrazza to discuss this matter on two occasions.

Vice Chairman Sullivan disclosed that he has known Jessica Sferrazza for 20 years and considers her a friend. Vice Chairman Sullivan further disclosed he has discussed this matter a couple of times with Jessica Sferrazza. Vice Chairman Sullivan stated he has no financial dealings with Jessica Sferrazza and any vote made on this matter will not have a financial impact on him or his family.

Chairman Scott disclosed his long-time relationship with the Sferrazza family and his support of Jessica Sferrazza's Mayoral campaign. Chairman Scott disclosed he has not had any discussions with Jessica Sferrazza about this particular issue.

Chairman Scott called the meeting into the closed session at 4:03 pm where all non-essential staff exited the meeting. Vice Chairman Sullivan motioned to go into the closed session of the meeting. Commissioner Wilhelms seconded the motion. Hearing no further discussion, Chairman Scott called for the question. The vote was all ayes, no nays. Chairman Scott declared the motion carried and the meeting closed. Remaining in the closed session meeting were Chairman Scott, Vice Chairman Sullivan, Commissioner Schieve, Commissioner Dixon-McAllister, Commissioner Wilhelms, Legal Counsel Chuck Zeh, Executive Director Jones and Deputy Executive Director Hurst.

2. Open Session: Sale of Sarrazin Arms Apartments (541 W. 3rd Street, Reno NV 89503) Option and Purchase and Sale Agreement. Open session to discuss Third Amendment to the Option and Purchase and Sale Agreement proposed by the purchaser, Reno Real Estate Development, LLC. The Board may accept, reject, counter or table the amendment option being presented. (For Possible Action)

At 5:07 pm, Commissioner Schieve motioned to open the meeting. Commissioner Dixon-McAllister seconded the motion. Hearing no further discussion, Chairman Scott called for the question. The vote was all ayes, no nays. Chairman Scott declared the motion carried and the meeting open. Chairman Scott resumed the open meeting, inviting the public back into the meeting. Board members and staff present for the open session included Chairman Scott, Vice Chairman Sullivan, Commissioner Schieve, Commissioner Dixon-McAllister, Commissioner Wilhelms, Legal Counsel Chuck Zeh, Executive Director Jones and Deputy Executive Director Hurst. Attorney Gordon was also present for the open session of the meeting.

Commissioner Schieve indicated the Board will be making a counteroffer. RHA is continuing this item to a special Board meeting on February 13, 2020 at 1 pm.

Vice Chairman motioned to continue items one and two to continue the negotiation of the sale of Sarrazin Arms Apartments. The Board will seek vital material necessary to create a counteroffer which will then be presented at the special Board meeting scheduled for February 13, 2020 at 1 pm.

The components of a counteroffer will be discussed at the special Board meeting scheduled for February 13, 2020 at 1 pm. The RHA would like the ability to research the possibility of RHA carrying the loan instead of the bank, thereby making RHA the bank. The terms would need to be researched by the RHA staff. This would eliminate the sellers need to conform to the restrictions of a commercial property loan from a traditional bank.

Attorney Gordon clarified that the counteroffer may include an option in which the RHA would carry the loan on the property for some to be negotiated interest rate and term. Further research will need to be conducted by the RHA.

Vice Chairman Sullivan indicated that the RHA will be diligent in constructing a counteroffer but warrants that it must examine options that may be before it in order to make an informed decision. Legal Counsel Zeh indicated that any possible action by the Board must be conducted under an open session of the Board.

Attorney Gordon suggested that the Due Diligence period and the closing be extended along with continuing the discussion of the Amendment for the purchase of Sarrazin Arms Apartments.

This would be the Third Amendment to extend the Due Diligence to February 29, 2020 while keeping the closing April 1, 2020 to be approved at the meeting on February 13th. The counteroffer will be the Fourth Amendment. Attorney Gordon will prepare the Third Amendment to reflect the extension of the Due Diligence period.

Executive Director Jones reiterated research by the Board and RHA staff will be conducted prior to the February 13th meeting. Those findings will then be discussed during the closed session of that meeting. Based on what information is presented to the Board, the Board will then make the decision on what the counteroffer will look like.

Attorney Gordon recapped he will attend the meeting on February 13th along with sending the Third Amendment to extend the Due Diligence period.

Vice Chairman Sullivan moved to continue both the open session and closed session to the February 13, 2020 special Board meeting at 1 pm. The special meeting will also include the Third Amendment extension of the Due Diligence period. Commissioner Wilhelms seconded the motion. Hearing no further discussion, Chairman Scott called for the question. The vote was all ayes, no nays. Chairman Scott declared the motion carried.

3. Additional items:

- i) General matters of concern to Board Members regarding matters not appearing on the Agenda. (Discussion)
Commissioner Schieve would like the Board to discuss the possibility of implementing a contingency fund for each Board member to be used toward the mission of RHA in the community. Commissioner Schieve requested this discussion item be placed on the February regular meeting agenda.
- ii) Reports on conferences and trainings. (Discussion)
There were no reports on conferences and trainings.
- iii) Old and New Business. (Discussion)
There were no Old or New Business to discuss.
- iv) Schedule of next meeting. The following dates have been scheduled in advance but are subject to change at any time: February 25, 2020; March 24, 2020 and April 28, 2020. (For Possible Action)

4. Public Comment. The opportunity for public comment is reserved for any matter within the jurisdiction of the Board. No action on such an item may be taken by the Board unless and until the matter has been noticed as an action item. Comment from the public is limited to three minutes per person.

There was no public to comment.

5. Adjournment. (For Possible Action)

Commissioner Wilhelms moved to adjourn the meeting. Vice Chairman Sullivan seconded the motion. Hearing no further discussion, Chairman Scott called for the question. The vote was all ayes and no nays. Chairman Scott declared the motion carried and the meeting adjourned at 5:31 pm.