



# WASHOE COUNTY

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Risk Mgt. \_\_\_\_\_  
Parks Dept. JD

## STAFF REPORT

BOARD MEETING DATE: August 25, 2009

**DATE:** August 19, 2009  
**TO:** Board of County Commissioners  
**FROM:** David Childs, Assistant County Manager  
Telephone: 328-2010, E-mail: [dchilds@washoecounty.us](mailto:dchilds@washoecounty.us)  
  
Doug Doolittle, Director, Regional Parks & Open Space  
Telephone: 823-6529, E-mail: [ddoolittle@washoecounty.us](mailto:ddoolittle@washoecounty.us)

**SUBJECT:** Acknowledge receipt of appraisal and consider termination of Option Agreement between RJB Development, Inc. and Washoe County for potential acquisition of approximately 228 acres of property commonly known as Northgate Golf Course pursuant to Paragraph 6 on said agreement; and if termination of Agreement is approved, authorize the Chairman to provide written notice of termination to RJB Development, Inc. and Escrow Holder. Further, acknowledge the Reversion Right of RJB and authorize Chairman to convey to RJB by quitclaim deed all of the County's right, title and interest in the property which is subject to the reverter. (Commission Districts 1 and 5)

### SUMMARY

At the June 23, 2009 meeting of the Board of County Commissioners (BCC), an Option Agreement between RJB Development, Inc. and Washoe County for the potential acquisition of approximately 228 acres of property commonly known as Northgate Golf Course was approved. As consideration for the option, the County deposited \$200,000 into escrow with Ticor Title Company to be credited toward the purchase price if we buy the property, and refunded if we do not. The Option Agreement stipulates that on or before August 27, 2009, the County has the right to terminate the Option Agreement by giving written notice to RJB Development, Inc. and the Escrow Holder, and the deposit will be refunded to the County out of escrow. An appraisal conducted by Johnson-Perkins and Associates set the value for the property at \$2,850,000. The asking price from RJB for this property is \$4,500,000. This item requests the BCC to acknowledge receipt of the appraisal and determine, based on the appraisal price, whether the County desires to exercise termination of the Option Agreement pursuant to Paragraph 6. Further, if RJB Development determines that they cannot agree to a purchase price of \$2,850,000 (as established by the appraisal) and therefore gives notice of termination of the option agreement by August 24, the only further action that appears to be needed by the BCC at the August 25 meeting would be to authorize conveyance of the Quit Claim Deed to RJB in accordance with the provisions of the Option Agreement.

*County priorities: Promote financial accountability of Washoe County.*

AGENDA ITEM # 11

## **PREVIOUS ACTION**

June 23, 2009 – The BCC approved an Option Agreement between RJB Development, Inc. and Washoe County for potential acquisition of approximately 228 acres of property commonly known as Northgate Golf Course.

May 12, 2009 – The BCC directed that Washoe County would not operate Northgate as a golf course, and directed staff to:

- continue negotiations with RJB Development in an effort to work toward an option agreement;
- identify potential funding sources;
- develop a schedule of critical timelines knowing that time was of the essence for securing State Question 1 grant funds and matching funds;
- work with the City of Reno (staff, Commissioners and concerned Council members) to identify and define roles and responsibilities;
- proceed with a property appraisal, preferably with costs to be shared; and
- proceed with an application to secure State Question 1 grant funding and determine options for securing matching funds.

April 14, 2009 – The BCC discussed a timeline for action regarding Northgate Golf Course and directed staff to negotiate with RJB Development Inc. regarding an option to purchase.

March 3, 2009 – The BCC acknowledged a status report on Northgate Golf Course.

## **BACKGROUND**

The final appraisal on the Northgate Golf Course property was completed by Johnson-Perkins & Associates, Inc. on August 7, 2009. As stated in the summary above, the amount of the appraisal is \$2,850,000. Based on the results of this appraisal, the parties were to come to agreement on a specific purchase price for the property. A firm purchase price would obviously be beneficial to discussions regarding the exact amount of funding needed from the State, from WC-1, and also from any SAD that would be created. As of the date of this staff report, the parties have not agreed to a purchase price.

From earlier discussions with the BCC, the stated purpose of acquiring an option to purchase the Northgate Golf Course property was to gain 6 to 9 months of time during which the parties (City of Reno, Washoe County and the neighborhood) would explore funding possibilities and potentially secure enough funding to ultimately purchase the property so that it could be maintained as open space. At this point in time, the key funding sources under consideration would be open space acquisition funding that is available on a competitive basis through the State Question One (SQ-1) Bonding Program. These funds require an equal amount of local match. It is possible that some portion of that match could come from some amount of Washoe County 1 (WC-1) funding along with funding generated by the neighboring residents through the possible creation of a Special Assessment District (SAD) or some other method to raise the other portion of the matching funds.

Based on a land price of \$4 million, a very simple example might be that the goal would be to acquire \$2 million in SQ-1 funding through a competitive grant application process in Round 11 of the funding cycle. These dollars could potentially be matched with \$1 million in WC-1 funds which would need to be reallocated from some other project upon approval

by Washoe County, Reno and Sparks. (It appears that this amount of WC-1 funding is all that would be available in any reallocation process). Thus, based on the above scenario, the other portion of the matching funds for an SQ-1 grant (\$1 million) would need to come from the SAD or from some other community funding mechanism. This is just one example of a funding scenario, and if the actual purchase price is different, then the other assumptions for funding and match would change accordingly. Further, if the SQ-1 or WC-1 funding proved to be unavailable, then other arrangements would need to be considered relative to the entire purchase.

#### **Option Agreement with RJB Development.**

- In late June, Washoe County paid \$200,000 toward an option agreement with RJB Development, Inc. that could potentially lead to the purchase of the Northgate property if certain factors come to pass.
- RJB also has an active previously-signed agreement to sell the property to a developer if the County and RJB are unable to reach agreement on a purchase of the Northgate property.
- An appraisal has just been completed which places the appraised value of the approximately 226 acres at \$2,850,000. (RJB's asking price is \$4,500,000.
- Both of the parties have the right to cancel the option agreement by August 24, 2009 (RJB) and August 27, 2009 (County) if they do not agree on a purchase price. If the option is **not** canceled by one of the parties by their respective deadline, the purchase price automatically becomes the appraised value of \$2,850,000.
- The County and RJB remain in discussions on this matter and as of August 15, 2009 RJB has not yet given notice of cancellation, but the appraisal is \$1,650,000 less than their asking price. This item is on the agenda for consideration by the Board of County Commissioners on August 25, 2009 and RJB's decision to cancel the option agreement would need to be received on August 24<sup>th</sup>.

The above provisions give the County, the City of Reno and the neighbors an opportunity to pursue possible funding sources for acquiring the property without significant financial risk and allow for early agreement on the price of the property.

Since the option agreement was approved by the BCC in June, staff has proceeded with the next steps in the process. The completed appraisal is the basis for the ongoing negotiation and it is staff's reading of the Option Agreement that if RJB Development does not cancel the agreement by August 24 and the County does not cancel by August 27, the purchase price becomes the appraised value of \$2,850,000. In addition, staff along with Commissioners Breternitz and Weber met with the Northgate community on Tuesday, August 18, 2009 to begin the process of discussing options for creating a SAD or other mechanism that would assist in funding the purchase.

#### **State Question 1 Funding**

Staff has recently met with the Director of Nevada Division of State Lands and his staff to tour the Northgate Open Space site and discuss funding opportunities. It appears that the site meets the criteria established for funding eligibility but as reported in June, the bond sales for Round 10 of SQ-1 funding will be delayed due to the challenging financial markets.

If a successful application could be submitted to the State in Round 11 that ultimately receives funding from State Question 1 (SQ-1), it could possibly pay for up to ½ of the acquisition costs. The program also requires that any SQ-1 funds be matched on a dollar for dollar basis using local funds (which could include participation from the neighborhood).

The recent conversations with the State have resulted in the following understandings:

- Funding for future rounds of SQ-1 funds continue to be significantly delayed due to unfavorable financial markets making it difficult to sell the bonds needed to fund future SQ-1 projects.
- State Lands staff's best guess as to when the Round 11 funding cycle might take place is the fall of 2010, at the earliest.
- Even then, it is expected that the amount of funding that is available at that time will be much reduced from previous rounds of funding.
- A preliminary review of the project to purchase Northgate shows that although it may meet the basic criteria for SQ-1 funding, the project itself would probably **not** be among the highest priority projects to be considered for funding based on past funding decisions within this process.

Therefore, based on current information, SQ-1 funding is very uncertain as a source of funds for this project since the option agreement with RJB also requires that the purchase be completed by spring of 2010, which is well before any potential funding decision would be made and well before we would know if the application even had a chance of being funded. To initiate an application for the Round 11 funding cycle it will be necessary for staff to begin locating a non-profit agency to sponsor the application as required by SQ-1 guidelines.

### **Washoe County 1 (WC-1) Regional Parks Funding**

There might be up to \$1,000,000 in WC-1 funds available to match the State Question 1 funding, but the Board of County Commissioners would have to put this project ahead of other projects that were on the list when the voters approved the measure...so it's certainly not a sure thing. It will be necessary for staff to begin the process of amending the WC-1 funding allocation working with Washoe County, Sparks and Reno to consider earmarking some matching funds for this project.

### **Next Steps**

- We expect to have a "go/no-go" decision on this possible purchase next week.
- If the purchase price is agreed upon at \$2,850,000, County staff will diligently work at the direction of the Board of County Commissioners to seek funding for a portion of the total purchase price.
- Under any scenario, successfully completing the purchase of this property will also require the financial participation of the residents in the neighborhood.
- It is imperative that the neighborhood begin immediately to organizing itself so that there is an agreed plan for raising the required contribution toward the purchase price.
- Reno staff can assist with the creation of a Special Assessment District or a Park District approach.

- Funding issues include the purchase of the property, but funds will also be needed to restore it properly to open space (rough guess \$200,000 to \$500,000) and funding will also be needed to maintain the property on an ongoing basis.
- If the parties do not ultimately agree on a purchase price next week, there are still options available to the neighborhood including the possible consideration of purchasing a portion or all of the property or part of all of the “development rights” to the property directly from RJB. Organizing to do this would also suggest a similar need for the neighborhood to get organized around this issue.

### **FISCAL IMPACT**

Should the BCC approve termination of the option agreement with RJB Development, Inc., or if RJB should cancel the Option Agreement by August 24, the County’s \$200,000 option payment will be refunded from the escrow account and returned to Washoe County.

### **RECOMMENDATION**

Staff recommends that the Board of County Commissioners acknowledge receipt of appraisal and consider termination of Option Agreement between RJB Development, Inc. and Washoe County for potential acquisition of approximately 228 acres of property commonly known as Northgate Golf Course pursuant to Paragraph 6 on said agreement; and if termination of Agreement is approved, authorize the Chairman to provide written notice of termination to RJB Development, Inc. and Escrow Holder. Further, acknowledge the Reversion Right of RJB and authorize Chairman to convey to RJB by quitclaim deed all of the County’s right, title and interest in the property which is subject to the reverter.

### **POSSIBLE MOTION:**

Should the Board agree with staff’s recommendations, a possible motion would be “Move to acknowledge receipt of appraisal and consider termination of Option Agreement between RJB Development, Inc. and Washoe County for potential acquisition of approximately 228 acres of property commonly known as Northgate Golf Course pursuant to Paragraph 6 on said agreement; and if termination of Agreement is approved, authorize the Chairman to provide written notice of termination to RJB Development, Inc. and Escrow Holder. Further, acknowledge the Reversion Right of RJB and authorize Chairman to convey to RJB by quitclaim deed all of the County’s right, title and interest in the property which is subject to the reverter.

**Clauss, Denise**

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**From:** Matthews, Chris  
**Sent:** Monday, August 24, 2009 2:11 PM  
**To:** Clauss, Denise  
**Subject:** FW: POSSIBLE SPAM - COMMISSION WEBSITE EMAIL- Subject: Northgate

Chris Matthews  
eGovernment Information Officer  
Washoe County, Nevada  
775.328.3719  
<http://www.washoecounty.us>

Director, West Region  
National Association of Government Webmasters <http://www.nagw.org>

-----Original Message-----  
From: robertgrowland@msn.com [mailto:robertgrowland@msn.com]  
Sent: Monday, August 24, 2009 1:15 PM  
To: Matthews, Chris  
Subject: POSSIBLE SPAM - COMMISSION WEBSITE EMAIL

Mr. Matthews, you have received an email from the County Commission Website.

NAME:.....Robert Rowland  
EMAIL:.....robertgrowland@msn.com

COMMENTS:  
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I want to urge you to support the preservation of Northgate golf course property as open space. The residents are organizing and we understand that we'll need to step up financially to make this happen. The land would be a great resource for the community, not just those with concerns about losing a view. The economy will get better, but the land will be gone forever.

(Answer to challenge question- . Seed: 911534044)

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More 11



MCDONALD·CARANO·WILSON<sup>LLP</sup>

John Frankovich  
jfrankovich@mcdonaldcarano.com

Reply to: Reno

August 24, 2009

Dave Childs  
Assistant County Manager  
Washoe County  
1001 E. 9<sup>th</sup> Street  
Reno, NV 89512

Re: *Northgate Golf Course  
Washoe County/R.J.B. Development Co. Option Agreement*

Dear Mr. Childs:

R.J.B. Development Co. has elected to proceed with the transaction with the County for the acquisition of Northgate at the appraised value of \$2,850,000.

If you have any questions or need any additional information, please feel free to contact me.

Very truly yours,

  
JOHN FRANKOVICH

JF/keh

cc: Melvin Blum  
Gerald Block  
James Bordycott

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