

EUREKA COUNTY BOARD OF COMMISSIONERS
Special Housing Meeting - January 26, 2011

STATE OF NEVADA)
 :SS
COUNTY OF EUREKA)

CALL TO ORDER

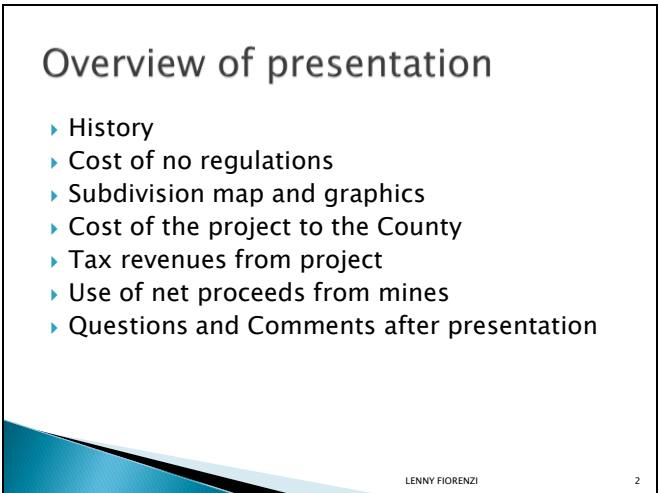
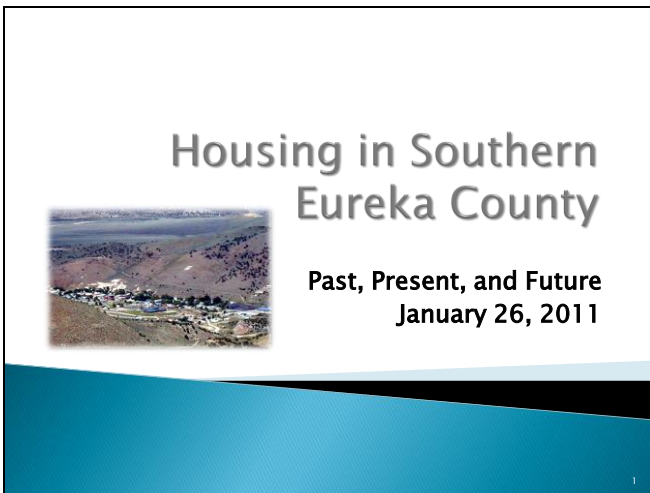
The Board of Eureka County Commissioners met pursuant to law for a special housing meeting at the Eureka Opera House on January 26, 2011. Present were Chairman Leonard Fiorenzi, Vice Chair Mike Page, Member Jim Ithurrealde, District Attorney Theodore Beutel, and Clerk & Treasurer Jackie Berg. There were approximately 65 people in attendance, including County and Nevada Rural Housing Authority staff. Chairman Fiorenzi opened the meeting at 7:00 p.m. by introducing NRHA representatives followed by introduction of County representatives and presenters for the slide program, as follows:

<u>NEVADA RURAL HOUSING AUTHORITY</u>	<u>EUREKA COUNTY</u>
Gary Longaker, Executive Director	Leonard Fiorenzi, Chairman
Roger Mancebo, NRHA Board	Jim Ithurrealde, Commissioner
Dave Craig, Director of Real Estate	Mike Page, Commissioner
Jack White, JL White & Assoc.	Ron Damele, Public Works Director
Michael Hynick, Construction Manager	Mike Rebaleati, County Auditor
Andrew Motter, Summit Engineering	Michael Mears, County Assessor

Chairman Fiorenzi thanked Kim Todd, Public Works Department Assistant, for her work on compiling the slides and for operating the presentation for this public meeting.

SLIDE PRESENTATION – Housing in Southern Eureka County

The Chairman stated this was the second public meeting regarding the proposed housing project. Since the first meeting, an in-depth feasibility study has identified the immediate need for housing in southern Eureka County and a tentative subdivision map for the Eureka Canyon Subdivision has been finalized. At the first meeting, it was stated that no County money would be spent on the project, but that is no longer correct. After evaluating construction costs, County funds are now being considered to develop infrastructure for the site in order to keep the price of the lots under \$50,000. Chairman Fiorenzi stated that a question and answer period would follow the presentation and the Board wanted to hear from the citizens. With that, the slide presentation began, and is included as a part of these minutes.



Benefits of Eureka Canyon Development

- ▶ Helps to manage growth
- ▶ Addresses current housing shortage for rentals and owner occupied homes
- ▶ Promotes responsible community development – water, sewer, fire flow – in keeping with the Town of Eureka
- ▶ Decreases urban sprawl and farm & ranch fragmentation, and maintains current quality of life

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Benefits continued

- ▶ Offers innovative financing options through Nevada Rural Housing Authority for homebuyers for purchasing high quality homes
- ▶ County can set development standards in the subdivision to ensure quality housing and infrastructure for homeowners, renters, and taxpayers
- ▶ Eureka Canyon Development will create housing options for existing families, new residents and future generations

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History of “Annex” Property

- ▶ In 1965 County applied for 40 acres from BLM
- ▶ Beginning in 1980’s County asked BLM for the property north of town: “...and that any new housing should be in or near the Town of Eureka, and that the Board would be able to prepare for future growth and for more housing.” Minutes 1/20/88
- ▶ In 1997, the County received patents from BLM for the entire 185 acres of property
- ▶ Purchase Price = \$315,000

Recorder’s documents #166948 and #167527

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More Annex Property history

- ▶ July 25, 2008: County entered into a lease agreement with Eureka Moly LLC “to use the leased property only for temporary construction worker housing...” (Section 500)
Recorder’s document # 0212172
- ▶ July 6, 2010: By mutual agreement County and EMLLC dissolved the lease agreement “in order for the lease property to be developed as quickly and efficiently as possible.” (page 1) Recorder’s document # 0215222

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Recent Annex Property history

- ▶ July 6, 2010: County entered into a contract for services and Memorandum of Understanding with Nevada Rural Housing Authority to work together on development of real property owned by the County in the town of Eureka for temporary construction worker housing sites, residential housing sites, and future commercial development sites.
- ▶ “The project under consideration is...the ‘Eureka Canyon Development.’”
Recorder’s Office contract # C-2010-000036

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Why develop the land?

- ▶ Current need for housing: existing employers including the county, school district, Barrick Ruby Hill mine, and other mines
A.C. Johnson Report to Commissioners 6/7/10 and VSI Feasibility Study November 2010
- ▶ Control costs to County taxpayers from unmanaged growth by using municipal water and sewer, building in close proximity to fire, police, and EMS.
- ▶ Discourage conversion of productive hay ground, ranches and open space outside of developed areas.
- ▶ Offer sites for high quality housing to decrease unmanaged growth in Diamond Valley and other areas far from services.

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Devil's Gate GID Water

54 hookups

July 1, 1997–June 30, 2010

- ▶ Expenditures \$ 9,562,961.
- ▶ Revenue (User fees, hook-ups, parcel assessments) \$ -434,372.
- ▶ Grant (State and Federal) \$ -939,750.

County Subsidy (General Fund) \$8,563,839.

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Eureka Town Water & Sewer

286 hookups

July 1, 1997–June 30, 2010

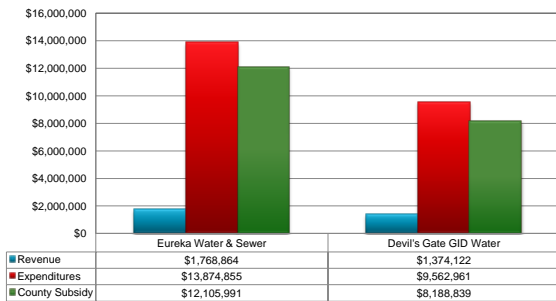
- ▶ Expenditures \$ 13,874,855.
- ▶ Revenue (User fees, hook-ups) \$ - 1,768,864.

County Subsidy (General Fund) \$12,105,991.

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Revenue and Expenditures Eureka W&S and Devil's Gate W



Data From: July 1, 1997 – June 30, 2010

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The cost of doing nothing based on past experience

- ▶ Devil's Gate is the result of development without effective land regulation enforcement.
- ▶ In 1997 the Board of County Commissioners in response to a petition from the Devil's Gate residents, created a GID and took over the private system which was on a boil water order and out of compliance with the Safe Drinking Water Act.
- ▶ Doing nothing means loss of agricultural tax base through loss of farm ground, ranches, open space.
- ▶ Doing nothing now means higher costs later.

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Total Construction Cost For Eureka Canyon Development

- ▶ Off-site Construction Cost \$ 3,998,461.
- ▶ On-Site Construction Cost \$16,160,011.
- ▶ Complete Project Buildout \$20,158,472.

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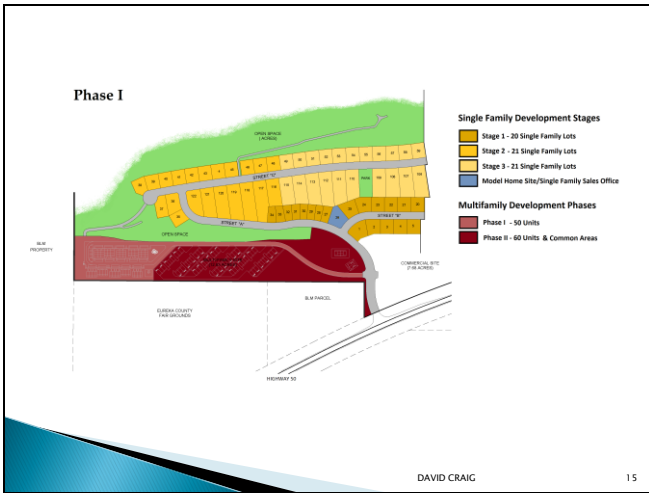
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Eureka Canyon Subdivision



DAVID CRAIG

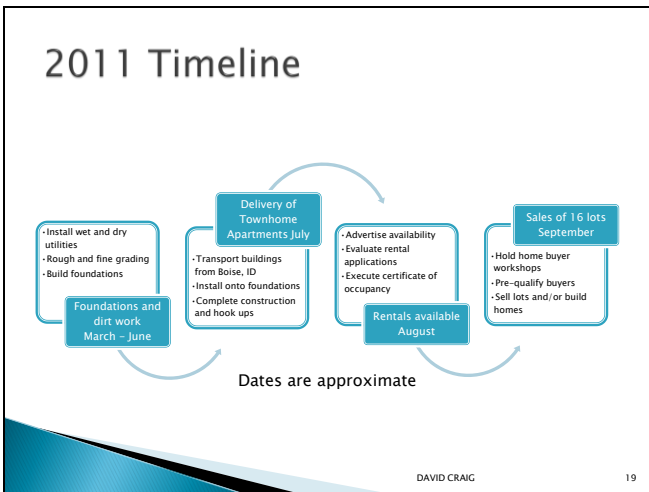
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Eureka Canyon Development - In Summary

- ▶ Initial demand for 80 apartments and 30 single family home sites
- ▶ Future Phases to be developed based on demand
- ▶ Total build out of the development is 110 rentals and up to 122 single family lots
- ▶ Temporary construction worker area is available if Eureka Moly wants to work with NRHA and pay for the housing and infrastructure

DAVID CRAIG 18



Purchases and Agreements to date for Eureka Canyon Development

- ▶ Purchase of Land from BLM \$ 315,000.
- ▶ NRHA Contract/MOU ^{7/6/10} Commission Mtg. \$ 250,000.
- ▶ NRHA Recoverable Grant ^{1/7/2011} \$1,700,000.
- ▶ Total County expenditures \$2,265,000.

JIM ITHURRALDE 20

Off-Site County Expenditures to date for Eureka Canyon Development

- ▶ Offsite Waterline ^{10/6/10} Commission meeting \$ 327,745.
- ▶ Water Tank/Booster Addition \$ 1,003,300.*
- ▶ Design/Permitting for Sewer Exp. \$ 134,500.
- ▶ Water/Sewer Master Plan Update \$ 93,500.
- ▶ Total County Expenditures \$ 1,559,045.

*Eureka Canyon Development Portion Only

- ▶ Agreements/Purchases to date \$ 2,265,000.
- ▶ Off-site expenditures to date \$ 1,559,045.

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Eureka Canyon Subdivision

Maximum On-Site Project Cost Analysis

- ▶ Multifamily (First 50 units) \$ 4,652,418
- ▶ Single Family (Total Cost for 122 Lots) \$11,507,593

Total Project Costs not to exceed \$16,160,011

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Eureka Canyon Subdivision Our Proposed Starting Point



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Financing Multifamily (First 50 units)

- Refundable Construction Grant to NRHA
- This Grant includes the following

Repayment of Townhome Grant	\$1,700,000
Recovery of Costs incurred under Service Agreement with NRHA	\$ 53,600
Balance of Construction Costs	\$2,898,818
Total Maximum 50 Unit Rental Cost:	\$4,652,418
- Grant to be repaid in full by NRHA within two years of the time the project is started.

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Financing Single Family (First 16 Single Family Lots)

- Cost to Eureka County for Infrastructure \$2,785,816
- Refundable County Grant to NRHA for the First 16 Single Family Lots \$1,455,007
- As Lots are sold throughout the development the Refundable Grant will be repaid to the County.
- Average Sale Price of these First 16 Lots \$46,230

16 X \$46,230 = \$739,680
 \$1,455,007 - \$739,680 = \$715,327

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Commercial

- Development includes 20 acres that could be available for commercial development
- Development of commercial property will be controlled by the Commissioners based on input from the downtown business owners and involvement of the County, NRHA, and Small Business Administration.
- We want to ensure the survival of downtown
- Commission's first priority would be preservation of businesses in downtown Eureka.
- County and NDOT are in discussions about potential sites

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Residential Analysis for Eureka County

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Vacant Lots in Eureka Town

20,000 sq ft and under



Projected Lot Values

- ▶ Average subdivision lot will be approximately 9,000 sq ft
- ▶ Lots are estimated to sell at \$46,230 per lot
- ▶ \$16,181 assessed valuation
- ▶ \$321.94 per year in property taxes

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Eureka County Residential Breakdown

Land Use	Count	% of Total	Assessed Value	% of Total
SFR	164	20%	\$4,743,353	20%
MH Conversion	65	8%	\$2,301,882	8%
MH (taxable)	283	35%	\$3,677,153	35%
MH (dormant)	300	37%		37%
TOTAL	812		\$10,722,388	

80% of Total Residential Value is in Manufactured Housing

MICHAEL MEARS

Manufactured vs. Stick-built Housing

- ▶ Stick-built homes depreciate at 1.5% per year for 50 years to a 25% residual value
- ▶ Manufactured homes depreciate at 5% per year for 16 years to a 20% residual value
 - Once the cost to bill exceeds the taxes generated, the MH is removed from the tax roll
- ▶ Initial per square foot values are generally higher for stick-built construction versus manufactured housing (even on conversions)

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Proposed Single Family Residences in Eureka Canyon Subdivision

- ▶ 1640 sq foot home
- ▶ \$175,000 base value (including land, attached garage, porches, driveways & walkways)
- ▶ \$61,250 total assessed value



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Potential Property Tax Revenue

- ▶ Based on estimated assessed value of \$61,250
- ▶ Eureka Town tax rate at 1.9896
- ▶ \$1,200 property taxes per year per developed residential lot
- ▶ If Phase 1 is built out to a total of 62 residential units = \$74,000 ad valorem revenue

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Value of a Neighborhood



Consistent housing designs

Blend of single-family and multi-family styles

Enticing area for people to reside

Results in stabilized and predictable revenues for the County

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County policy for using net proceeds of mines

- ▶ Use of net proceeds for capital improvement projects and one time expenses
- ▶ Net proceeds not used for O&M
- ▶ Would not affect general fund expenditures and services
- ▶ Lowest tax rate in the State for the past ten years due to conservative fiscal management

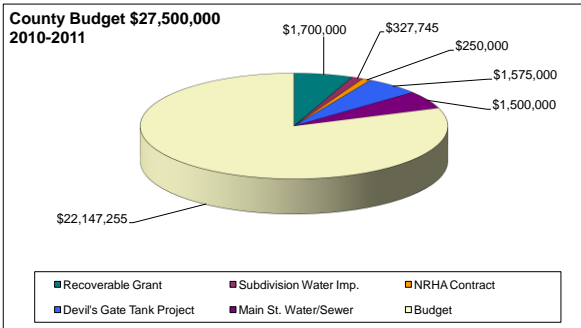
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County of Eureka General County Property Tax Rates Last Ten Years

Fiscal year	Taxing Unit Rate	Leg. Overrides	Comb. General County Rate	Combined Special Dist Rates	School	State	Total
2001	0.7031	0.0907	0.7938	0.0085	0.7500	0.1500	1.7023
2002	0.7581	0.0907	0.8488	0.0085	0.7500	0.1500	1.7573
2003	0.7581	0.0907	0.8488	0.0085	0.7500	0.1500	1.7573
2004	0.7604	0.0884	0.8488	0.0085	0.7500	0.1700	1.7773
2005	0.7604	0.0854	0.8458	0.0085	0.7500	0.1700	1.7743
2006	0.7604	0.0854	0.8458	0.0085	0.9125	0.1700	1.9368
2007	0.7623	0.0835	0.8458	0.0085	0.9125	0.1700	1.9368
2008	0.7633	0.0825	0.8458	0.0085	0.9125	0.1700	1.9368
2009	0.7650	0.0808	0.8458	0.0085	0.9125	0.1700	1.9368
2010	0.7660	0.0798	0.8458	0.0085	0.9125	0.1700	1.9368

County Budget Chart



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Net proceeds uses in the future

- ▶ State of Nevada is looking to local governments to help fund state services
- ▶ Revenue collected and held at the local level will be scrutinized
- ▶ Using net proceeds for housing meets an unmet need within Eureka County

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Summary

- ▶ Eureka Canyon Development property won't be developed without County subsidy
- ▶ Eureka Canyon Development brings a neighborhood of high quality homes
- ▶ Nevada Rural Housing Authority brings development, financing options, and property management
- ▶ Eureka Canyon Development meets existing housing needs with flexibility for future growth

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List of References

- ▶ For additional information and references, please see the Eureka Canyon Development webpage on the County's website:
www.co.eureka.nv.us/comish/eurekacanyon.htm
- ▶ Nevada Rural Housing Authority website:
www.nvrural.org



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Discussion

▶ Questions?

▶ Comments?



QUESTION & ANSWER PERIOD

Upon conclusion of the presentation, Chairman Fiorenzi opened the floor to public comments and questions.

Q: How will the subdivision affect other developers in the area, especially in relationship to financing?

A: The same financing tools available for homes in the subdivision will be available for other home sales; NRHA will be hosting financing workshops in the future.

Q: Will lots be available for sale in the subdivision, and if so, will independently built homes be held to the same standard as homes built by NRHA?

A: Lots will be available, and there will be a review and approval process in place for all homes built in the subdivision.

Q: Will only stick built homes be allowed?

A: Current plan is to require stick built for the first phase of the project, and then evaluate the possibility of allowing manufactured homes if the need exists.

Q: Regarding the rentals, who will manage the property, collect rents, perform maintenance? And will there be a property manager on site?

A: NRHA will be the property manager. 50 units will require a half-time manager; 100 units would require a full-time manager.

Q: Will the townhome units be for sale? Could an independent landlord purchase townhomes as rentals?

A: That option is not currently being considered.

Q: What is NRHA?

A: Nevada Rural Housing Authority was created as a government entity in 1973 with certificate and voucher programs to subsidize housing. By 1995, they were no longer under State control. In the last five or six years, the focus has been on developing full scope projects for rural counties, including financing options and programs. NRHA has helped over 800 families in Nevada buy homes.

Q: Will there be low-income housing? Are there income restrictions related to purchasing homes/lots in the subdivision? Are there rental assistance programs for the rental of the apartment units?

A: The subdivision will not be low-income housing; the goal is to provide affordable housing. Regarding financing options or programs through NRHA, some do have income parameters. There is no rental assistance provided by Eureka County or NRHA.

- Q:** The estimated purchase and rental prices seem high for this area; will there be a market for those prices?
- A:** Purchase price for a single-family home is estimated to be \$160,000-\$170,000; subdivision lot prices are estimated to be \$46,000; and the rental rates for the apartments are expected to be \$700-\$1,000. Prices were kept as affordable as possible while taking development costs into consideration. This is the main reason the County decided to subsidize the infrastructure, to avoid those costs being incorporated into the sales prices. The average purchase price for the 800 homes financed through NRHA programs in Nevada is about \$160,000. The feasibility study also supports these price ranges.
- Q:** Do rental amounts include utilities? Do the lot prices include utilities to the site?
- A:** Utilities are not included in the estimated rental amounts. Utilities to the site are included in the estimated lot prices.
- Q:** Are the townhomes from Idaho rehabilitated units? Are any rehabilitated units planned for the subdivision?
- A:** No, the townhomes are newly constructed units, and there are no plans to bring in rehabilitated buildings.
- Q:** Will people in this area be willing to purchase a lot less than an acre in size?
- A:** Different lot sizes may be available as the subdivision is developed. The first 16 lots will help determine what the market wants. Lots were designed smaller in order to keep the purchase price lower, because it is very expensive to develop home sites on a hillside.
- Q:** Why a HUD or USDA based loan? And are these backed by Fannie Mae or Freddie Mac?
- A:** The USDA has jurisdiction in areas with less than 50,000 residents, but HUD financing is also available. The loans being considered are not backed by Fannie Mae or Freddie Mac, although there are loan options available that are.
- Q:** A 30-year loan was referred to; where does that fit in and how would the County be involved?
- A:** The County will provide an up-front recoverable grant to NRHA to kick-off the multifamily portion of the housing project. NRHA will obtain a HUD or USDA loan to repay the County grant, which will likely take 18 to 24 months. If a loan is not obtainable, the County will negotiate repayment terms with NRHA, which could be a 30-year note, but this is simply an estimate. (It was further clarified that if the first loan is not obtained, NRHA will continue to seek financing with the goal of paying back the County's grant).
- Q:** What happens if only a portion of the 50 units are rented?
- A:** The feasibility study indicates that more than 50 units could be rented, but should that not occur, it will affect financing options, and it will require NRHA to conduct aggressive marketing to bring in renters, possibly from surrounding areas.
- Q:** Do sales proceeds go towards payment of the principal?
- A:** Proceeds from sales of lots will, but proceeds from home sales will go to the manufacturer/builder.
- Q:** Will the County provide more funding in addition to the \$1.7 million recoverable grant?
- A:** Yes, the \$1.7 million was to purchase the townhome/apartment units; additional funding in the form of a recoverable grant will be provided for construction costs related to the

first 50 apartment units. Total funding for the apartment units and construction costs will be paid back by NRHA within two years of the time the project is started. A separate recoverable grant of \$1.4 million is anticipated for development of the 16 single family lots.

Q: Eureka Moly/General Moly invested \$5 million into the property; is there something set aside for them?

A: An area has been set aside (outside of the Phase 1 construction area) that Eureka Moly may use for temporary construction worker housing if they choose to. As far as apartment rentals and single-family lots, they are able to rent or purchase like anyone else.

Q: What are Eureka Moly's anticipated housing needs – (1) for temporary construction worker housing; and (2) for permanent employees once the mine is in operation?

A: Pat Rogers answered, on behalf of Eureka Moly, that they are expecting to need housing for 300 construction workers initially and 400 operational employees once the mine is in production. At this point it is hard to estimate how many will choose to live in Eureka and how many will choose to commute.

Q: If Eureka Moly chooses to set up temporary construction worker housing, what standards will be required? Will RVs, travel trailers, etc. be allowed?

A: The County and the mine have not discussed this yet, but the County will want something that is compatible with existing housing. There is a possibility that RVs may be allowed in the area set aside for temporary construction worker housing.

Q: Will NRHA manage the rentals and sales? If so, is Eureka County entering into a management agreement with NRHA?

A: NRHA will own the rental units and will manage those as well as sale of the single-family lots. The County will be responsible for the roads, streets, utilities, etc., just as they are in the Town of Eureka, Town of Crescent Valley, and Devil's Gate GID. The County will retain ownership of the actual land underneath the townhomes until the recoverable grant is paid in full. The County's interests will be addressed in a development agreement with NRHA.

Q: What is the foreclosure or forfeiture rate on houses purchased through NRHA?

A: The portfolio that represents the single-family home programs through NRHA is one of the best performing portfolios with one of the lowest foreclosure rates in the nation. Part of the reason for that is that families go through a very good screening process and home buying counseling when utilizing the NRHA programs.

Q: What happens if NRHA fails to repay the \$1.7 million in the allotted timeframe?

A: The \$1.7 million refundable grant is for a term of 21 months at 5% interest. There is a penalty clause that increases the interest rate to 7.5% if it goes beyond the 21 months. Additionally, the loan is collateralized with the buildings; if default occurs the County has the right to take possession of the buildings.

Q: What is the contingency plan if the County does take ownership of the buildings?

A: NRHA would likely find an alternate buyer for the buildings before it would come to that; but if the County did take ownership they would have several options, including but not limited to: continuing with the apartment complex; selling the units as a whole; breaking the units up and selling them individually; etc.

Q: Who will retain ownership of the commercial property? Will the commercial property be for sale?

A: No firm decisions have been made regarding commercial property. The County will retain ownership of any land deemed commercial. If a commercial interest has the funds or the financing, the County might be willing to sell, although this has not been deliberated yet.

Q: Is NDOT looking at a commercial site in the subdivision?

A: No decisions have been made concerning commercial property, but NDOT is interested in acquiring seven acres.

Q: With the State looking to counties for revenues, are the funds to complete this project safeguarded?

A: There are no guarantees and the County is watching the State and Legislature closely; the belief at this time is that dedicated resources are lower on the list of funds that may be swept by the State.

Q: Other towns in Nevada have suffered when a new development lures businesses out of the historic downtown areas; will there be protections in place to safeguard and retain the downtown businesses in Eureka?

A: There are no regulations or ordinances prohibiting businesses from being drawn out of the downtown area, or prohibiting new businesses from building anywhere in the County. The Commissioners do want to protect and retain the historic downtown, but it must be a concerted effort with the businesses. If the population grows immensely with Mt. Hope going into production, it's likely that new business will be attracted to the area. Existing businesses could meet the demand by expansion and realignment. The Commissioners only control is to help with planning and possibly incentives to direct the growth of businesses in a way that encourages preservation of the downtown area.

Q: Will construction of the subdivision provide jobs for residents, or will all the labor be done utilizing outside contractors?

A: This is considered an economic development project and although some contract work will be done, it will provide jobs locally.

Q: What is the anticipated start date of the project?

A: If the County Commissioners approve going forward, work will start on Phase 1 this spring as soon as the frost breaks.

Q: What is the next step if the County elects to move forward with this project?

A: That will be addressed at the next meeting of the Board of Commissioners. Per agreement, the County has three months to elect to have the townhome units placed at the subdivision, or to opt out and direct NRHA to find an alternate buyer. If the County decides to move forward, they will immediately start working on agreements with NRHA.

COMMENTS

There were several comments in addition to the questions:

- Somebody at some point needs to take a little risk to avoid another 3rd Street (Devil's Gate) mess.
- This is an opportunity for the County to share in the housing problems that Eureka County faces.

- With the State of Nevada looking to counties for revenues, this is at least an investment that stays here.
- The County should stop building County buildings on Main Street. Preserving Main Street for commercial development or expansion of existing businesses makes sense for the economic future of the County and would help preserve the downtown area.
- Businesses should work with the Eureka Business Network and the Economic Development Program to get involved in protecting and planning for their businesses in the future.
- NRHA should go out and get their own financing; the County financing them is just not right.
- *(The following comment, by Lloyd Morrison, warrants including in its entirety):
 “You know as I look up there at you guys, I can’t think of any people that are more conservative. I’m a very conservative person and very fiscally minded. I own my own business and I work real hard to make sure that it’s solvent. I think you guys have worked real hard to keep this County solvent. I do understand this dilemma that we’re in; the State needs our money and if we don’t put our money to use, and good use, we won’t have it. That’s a fact. We’ve got an opportunity to take some of this money that we’ve been investing at less than 1% interest and invest it for up to 5% interest or even 7% at some point. That seems like fiscal responsibility. The fact that we are financing this through the County, that upsets a lot of people, but its interim financing. It’s allowed those condos to be bought at a good price. And it’s just like when I decide how much hay I’m going to make, I look for a market. Now the market’s not always there, but if I don’t take a risk, I don’t profit. And I think that Mike and Ron, Commissioners, you guys are not radical people, you’re conservative people too; and I think you’ve looked at this and I appreciate all the effort you’ve put into it. And I say thank you. I appreciate your effort and whatever you guys decide is best for the County, I’ll back you.”*

CONCLUSION

Chairman Fiorenzi thanked everyone for coming, stating that all of the questions and comments were greatly appreciated. The meeting concluded at 9:05 p.m.

Approved this 7th day of March, 2011.

/s/ Leonard Fiorenzi
 Leonard Fiorenzi, Chairman

Attest: /s/ Jackie Berg
 Jackie Berg, Clerk