



WASHOE COUNTY

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STAFF REPORT

BOARD MEETING DATE: August 22, 2023

DATE: July 17, 2023

TO: Board of County Commissioners

FROM: Dave Solaro, Arch., P.E., Assistant County Manager
Community Services Dept., 328-2043, dsolaro@washoecounty.gov

THROUGH: Eric Brown, County Manager

SUBJECT: Presentation and overview of the Washoe County property program by Dave Solaro, Assistant County Manager. The Board of County Commissioners have requested information related to the Washoe County property portfolio, to include facility master planning, review of lease versus own considerations, and properties for potential disposal. (All Commission Districts.)

SUMMARY

Washoe County has an extensive history of owning property for various needs and uses since the construction of the original county building in 1872, at what is now 75 Court Street in Reno, Nevada.

The Nevada Revised Statutes Chapter 244 outlines the parameters around what County Government can legally do in relation to property from the control, management, gifts, donations, purchase, sale, lease, disposal, and use.

This item will include an overview of the current property program for Washoe County.

Washoe County Strategic Objective supported by this item: Fiscal Sustainability:
Long-term sustainability.

PREVIOUS ACTION

Property actions of various types have occurred regularly at County Commission meetings.

BACKGROUND

The Board of County Commissioners (Board) has asked various questions recently related to the property program and portfolio of properties managed by Washoe County. Washoe County property generally falls into three categories, general government needs, utility service's needs, and properties supporting the open space and park needs.

AGENDA ITEM # _____

Master Planning Overview:

The three categories (general government operations, utility services, and properties supporting open space and park) identify needs through facility master planning. Master plans assist in understanding the longer-term needs of our departments and should be updated regularly or when operations or circumstances change. Our experience during the pandemic is a good example of a circumstance change that necessitates master plan updates. Currently, through the Washoe County Strategic Plan, the facilities master plan is in the process of being updated to reflect the needs of the community and the County, focusing on how we provide services and spaces focusing on lessons learned throughout the pandemic. The facilities master plan includes the general government functions of the County. In addition to the facilities master plan, we have master plans for the court system, detention facility, and library system. It is anticipated that the court system will be the next master plan to be updated. The detention center master plan has been updated and is in the process of final review before board acceptance. After courts, the library system will need to be updated.

The Washoe County Utility enterprise fund is continually updating the facility plans to make sure the needs of the community are met and that compliance with State permits is met. This includes property actions for easements and small purchases of land.

The third category and largest land holdings for Washoe County are in the parks and open space category. The overall park master plan was updated and accepted in by the Board in 2019. In addition to the overall plan, each park contains an individual master plan, which is also updated as the community changes.

Lease vs. Own Overview:

The decision to own and operate commercial real estate or lease property is a crucial consideration for Washoe County. When property needs are identified through the Capital Improvement Process, Master Planning Process, or the Strategic Planning Process the decision to own vs. lease is analyzed. The County has a robust facility maintenance and operations system within the Community Services Department, but not all property needs to be owned. The decision process includes the following review:

Owning and Operating Commercial Real Estate:

Pros:

Long-term Investment: Owning commercial real estate allows the county government to build equity over time. The property's value may appreciate, providing potential financial gains if sold in the future.

Control and Flexibility: Ownership provides greater control over the property's use, customization, and modification to meet specific needs. The county has the flexibility to adapt the space to changing requirements.

Cost Stability: Owning eliminates the risk of rent increases or lease negotiations, providing long-term cost stability. Fixed mortgage payments allow for more accurate budgeting and financial planning.

Revenue Generation: If appropriate, the county can generate revenue by leasing out surplus space to other organizations, potentially offsetting operating costs.

Cons:

High Initial Investment: Acquiring commercial real estate requires a significant upfront investment, including down payments, closing costs, and ongoing maintenance expenses. This may strain the county's budget or necessitate additional borrowing.

Responsibility for Maintenance: The county assumes full responsibility for property maintenance, repairs, and upgrades. This can incur substantial costs and requires dedicated staff and contracted services to ensure proper upkeep.

Risk Exposure: Ownership carries the risk of property value depreciation due to market fluctuations or changes in economic conditions. In a downturn, the county may face difficulties in selling the property or may experience decreased returns on investment.

Leasing Commercial Real Estate:

Pros:

Lower Initial Investment: Leasing commercial real estate typically requires a lower upfront investment, primarily limited to security deposits and lease initiation costs. This allows the county to allocate financial resources to other critical needs.

Maintenance and Repairs: Responsibility for property maintenance, repairs, and upgrades often lies with the landlord. The county can avoid these costs and focus on its core functions.

Flexibility: Leasing provides the ability to relocate or expand easily based on changing needs. This flexibility allows the county to adapt to evolving circumstances without the commitment of owning a property.

Professional Management: Leasing allows the county to rely on the expertise of professional property managers, who handle day-to-day operations, tenant relations, and facility management.

Cons:

Limited Control: Lease agreements restrict customization and modifications to the property. The county must comply with the landlord's rules and regulations, limiting the ability to tailor the space precisely to its requirements.

Uncertain Costs: Lease terms typically include periodic rent escalations, subjecting the county to potential rent increases. These uncertainties make long-term budgeting and financial planning more challenging.

No Equity Building: Unlike ownership, leasing does not provide the opportunity to build equity or benefit from property value appreciation. The county essentially pays for temporary use without any potential return on investment.

Reliance on Landlord: Lease agreements are dependent on the landlord's actions and decisions. If the landlord faces financial or legal issues, the county's operations may be disrupted, necessitating relocation and potential service interruptions.

When the decision is made, a staff report is generated to assist the Board in making the informed decision if property purchase or lease is recommended to support the programmatic needs of the County.

Property Portfolio Overview:

The attached Exhibit A is a list of properties within the ownership of Washoe County for general government purposes which includes properties with physical buildings, Exhibit A-1 includes vacant land for general government purposes, Exhibit B is the portfolio of park and open space properties, and Exhibit C is the listing of leased properties with their uses.

It is important for the community to know that not all property is obtained in the same manner. The Washoe County portfolio consists of properties that have been donated, bequeathed, transferred, traded, and purchased. Due to the varied way the properties are obtained, each property decision needs to be reviewed against the actual deed for the property. Many of the properties listed in the park and open space exhibit include properties donated to Washoe County and the deed includes specific language restricting the use of the property. It is common for Washoe County staff to receive inquiries on properties by developers or citizens wanting to purchase or present an opportunity to the county to be housed on a certain property. This is one reason the Board implemented an Unsolicited Proposal Policy, so the property research can be completed based on the request from the community.

Additionally, the funding source for properties may include restrictions for the use of the property. For example, properties purchased with State Question 1 monies include language that they are to be used only for the purpose designated in the funding request, or the funds would need to be paid back to the granting agency within the State.

One other complicating factor can be seen on Exhibit A, as the first four properties are shown as Washoe County ownership; however, the properties are actually operated, and maintained by the Reno Sparks Convention and Visitors Authority (RSCVA). They were obtained at a time when that entity could not own property under state law and Washoe County was the identified owner.

Commissioners have made requests to identify properties that can be utilized to assist in creating additional affordable housing in the area. The following properties have been identified as surplus to the current needs of Washoe County and will be considered through the Strategic Plan process for recommendation to the Board on final disposition.

APN	Description	Year Acquired	Size
552-132-01	North Hills Boulevard	1995	4.435 AC
552-132-02	North Hills Boulevard	1995	8.120 AC
012-150-12	10 Kirman Avenue	1950's	0.556 AC
018-164-07	Budrow/Hunter Lake	1972	0.954 AC
008-123-10	1361 E. 10 th Street	1994	0.158 AC
080-283-03	Lemmon Valley/Chesapeake	1950's	8.388 AC

FISCAL IMPACT

There is no fiscal impact.

RECOMMENDATION

It is recommended the Board of County Commissioners acknowledge the overview of the Washoe County property program. No action is being sought.

POSSIBLE MOTION

Should the Board agree with staff's recommendation, a possible motion would be:
"Move to acknowledge the overview of the Washoe County property program."