



TRUCKEE TAHOE AIRPORT DISTRICT - INTEROFFICE MEMORANDUM

TO: BOARD OF DIRECTORS

FROM: KEVIN SMITH, GENERAL MANAGER AND LAND LEASING AD HOC COMMITTEE
(DIRECTORS JONES AND VAN BERKEM)

SUBJECT: CLEAR CAPITAL/JMA LAND LEASE PROPOSAL

DATE: 08/27/14

Objective for Agenda Item

Consider and possibly take action on one of two options regarding leasing of Airport property for a Clear Capital campus. Options are:

Option 1 – Develop project in Nevada County without a future annexation into the Town of Truckee. Use District financial resources to assemble an economic development incentive package attractive to Clear Capital.

Option 2 – Develop property in Nevada County and pursue an annexation/development agreement with the Town of Truckee. Annexation allows Clear Capital to pursue Town of Truckee economic development incentive funds.

Discussion

Staff, the Ad Hoc Committee, JMA, and Clear Capital met on August 11, 2014. The District has been in discussions off and on with JMA/Clear Capital for the past 2 years. The August 11, 2014 meeting was prompted by the recent positive signal by the Town of Truckee of available funding through their Economic Development Incentive Program. Clear Capital applied for funds under the Program and was given a favorable review by the Town of Truckee. JMA/Clear Capital in considering the incentive proposal of \$1,250,000, has indicated that the funding proposal substantially influences their consideration and makes the Airport land financially feasible. Clear capital currently has a 24 to 30 month window with their current landlord and desires to be in a more permanent location more suited to their needs by late 2016.

Staff, JMA, and Clear Capital are meeting weekly to work on issues, clarify timelines, review costs, and strategize regarding project feasibility. The Ad Hoc Committee and staff are seeking further direction from the Board regarding which option to pursue.

Staff Review and Analysis of Options

At the July 2014 Board Meeting, Staff presented a Land Leasing Options Chart outlining 3 Options for development of a Clear Capital campus. This Chart has been attached for your review. As Option 3 is not feasible due to the extensive timeline, it has been removed from consideration by Staff and the Ad Hoc Committee. The land use application and entitlement process is essentially the same in Option 1 and 2 and deemed feasible by JMA/Clear Capital as well as Airport Staff.

In researching the merits of the different options staff has identified a few additional pros, cons, advantages, disadvantages to each options. These are:

Option 1	
Pros or Advantages	Cons or Disadvantages
<ul style="list-style-type: none"> • No annexation/development agreement required with Town of Truckee. This may save some time in the development timeline process. This does not infer that the Airport and/or County will not seek input or comment from the Town in the development process. • All applications including building permits are processed through Nevada County. There is a perception (real or not) that the county process is less time consuming than the Town. • Some additional flexibility (not substantial) in the types of land uses permitted by the Nevada County. • Traffic Impact Fees may be less in Nevada County. This is difficult to ascertain until a specific proposal is on the table. • No prohibition on single retailer square footage requirements. 	<ul style="list-style-type: none"> • Clear Capital cannot participate in Town of Truckee Economic Incentive Fund Program • Airport District would need to potentially create its own incentive program and commit District funds to the project. • Have to travel to Nevada City to conduct business with County. Lose the convenience of Town Hall within walking distance. • Future land use changes would require zoning ordinance amendments from County Planning Commission and Supervisors. (example – Changing from Profession Office to Light Industrial)

Option 2	
Pros or Advantages	Cons or Disadvantages
<ul style="list-style-type: none"> • Clear Capital can take advantage of Town Economic Development Incentive Funds. • Could negotiate amicable development/annexation agreement with the Town to address issues related to future land use of the site, financial implications, traffic, consistency with 	<ul style="list-style-type: none"> • May take some time to negotiate Development/Annexation agreement with the Town. • County will look closely at provisions of Annexation agreement in their project review of development application. • All applications, Tenant Improvements,

<p>Town Master Plan, etc.</p> <ul style="list-style-type: none"> • Opportunity to craft a Planned Commercial Zone that encompasses our priority land uses (Retail, Office, Light Industrial). This eliminates the need for future General Plan and Zoning Ordinance amendments. • Town Hall is conveniently located next to Airport making access to Town employees, resources, and information easier than County. • Office Complex would receive Police protection from Truckee PD. 	<p>and future development applications will be processed by the Town. There is a perception (real or not) that the Town requires more time and submittals to reach a decision.</p> <ul style="list-style-type: none"> • At some point during construction or shortly thereafter, the District needs to complete an annexation along with the Town and Airport completing a LAFCO Sphere update. • Clear Capital and the Town of Truckee still need to reach final agreement on the proposed \$1,250,000.
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Constants with Option 1 and Option 2
<ul style="list-style-type: none"> • Airport property is tax exempt. It is not subject to bond initiatives, special assessments and other fees imposed by Nevada County. This will not change if an annexation is completed. The property is still tax exempt. The Town cannot attach fees and assessments to the property. The District is subject to development fees, application fees, and impact fees. Both the County and the Town have these fees and they are comparable. Typically these will be paid for by whoever is developing the property. Likely not the District. • The lease holder will be subject to Possessory Interest Tax that will go to whatever jurisdiction the property falls under (Town and/or County). The intent of possessory interest is to compensate local government for lost property taxes for individuals with exclusive use of public property. (hangars, land leases of public property, etc.) • Staff has reviewed both the Town and County Zoning ordinances related to retail commercial, professional office, and light industrial. While Nevada County may have a slight edge related to flexibility, both have ample and varied land use opportunities for Light Industrial, Retail Commercial, and Professional Office. These are the 3 most likely uses and give the District lots of flexibility should Clear Capital vacate the property. While a flexibility edge goes to Nevada County, the Planned Community Zone available from the Town may allow us to quickly move between types of use in the future rather than applying for zone changes from the County. • Any reference to annexation in either option is strictly referencing the 4 to 6 acres proposed for the Clear Capital campus and not the 12.9 acres proposed in the Master Plan for non-aeronautical development. • Staff is currently seeking a land release from the FAA on all property fronting soaring way owned by the airport district. We expect to have this by the end of the calendar year.

Ad Hoc Committee Recommendation

While the Ad Hoc Committee sees merit in Option 2 and agrees that it may be the quickest path to meet the objective, they feel some Board dialogue and consideration may be in order regarding Option 1 and the Airport interest in providing incentives such as development improvements, traffic impact fee payments, and potentially other cost offsets. There may be an option for the District to meet the same economic incentive goal without necessitating annexation by doing infrastructure improvements on

airport property, such as curb gutter sidewalk, utilities, landscaping, and payment of impact fees. This may offset some of the development costs and provide a similar incentive package as proposed by the Town of Truckee.

Staff Recommendation

It is Staff's recommendation to pursue Option 2. It is Staff's opinion that this option has the best chance of success. Funding for the incentive option comes from the Town of Truckee and does not require the Airport District to commit its own funding. While there may be merit to an Airport District Economic Development Incentive Program, such a program currently does not exist and may require time and resources to create. Staff is also confident it can work with the Town on amicable annexation/development agreement that addresses process and land-use issues identified as areas of concern by both the Ad Hoc Committee, Clear Capital, and JMA.

Summary

The primary question to consider regarding this proposal is does the district go out on our own using District resources and funding to attract Clear Capital to stay in the area, or do we partner with the Town of Truckee on an incentive package to keep them in our community. As you can review from the analysis included, both have their advantages and disadvantages. Staff and the Ad Hoc Committee would like to discuss these considerations at the meeting and potentially take action on a specific direction.

Kevin Marshall from Clear Capital and Art Chapman from JMA will be at the meeting to answer any questions. The Ad Hoc Committee has asked Kevin Marshall to give a quick synopsis of Clear Capital's process to find a permanent home and bring the Board up to speed on current issues.

Land Leasing Options for Airport District Property (Clear Capital)

Key factors considered in Analysis:

1. Clear Capital needs/intends to move to a permanent location with 24 months and needs to confirm location.
2. Clear Capital desires economic development assistance to make permanently locating in Truckee financially feasible.
3. Find a local financial incentive option as competitive as possible with State of Nevada.
4. The Airport, JMA, and Clear Capital are looking for the best path to meet Clear Capital's objective as well as the District's goals.

Option 1 – Develop Property In Nevada County without Annexation into Truckee	Option 2 – Develop Property in Nevada County and then Annex in to Truckee	Option 3 – Annex property into Town of Truckee and then Develop Property
<p><u>First Priority</u> – Receive Land Release from FAA for Non-Aeronautical land use or reasonable assurance we will receive release.</p> <p>1-Land use entitlement process requires Master Plan Amendment, Zone Change, Development Permit, CEQA. Process is very similar to Town of Truckee. Requires 6 to 8 months to complete.</p> <p>2-County Planning Commission and Board of Supervisors make land use decisions but will likely consider Town of Truckee requests and design review considerations at a high level.</p> <p>3-County will assess impact fees and charges per their fee schedule. Difficult to tell what those fees may be until traffic studies and other impacts are reviewed by County.</p> <p>4-No annexation or Town Sphere update required.</p> <p>5-Property does not qualify for Town of Truckee Economic Development Incentive funds.</p> <p>6-Once released from aeronautical use by FAA, Airport can consider incentives to attempt to match offers by Town of Truckee, State of Nevada. Airport has to charge fair market rates in lease structure. Cannot give incentives in lease. Staff will have FAA response to Release Request by July 31, 2014.</p>	<p><u>First Priority</u> – Receive Land Release from FAA for Non-Aeronautical land use or reasonable assurance we will receive release.</p> <p>1-Airport and Town of Truckee need to negotiate Annexation Agreement outlining details of future annexation of District property to facilitate Clear Capital. Staff estimates that this would require at least 2 months to negotiate and finalize what such an agreement would involve and require.</p> <p>2-Any costs, impact fees, assessments, or taxes, as a result of annexation (if any) present or future would be identified, outlined, and/or resolved in annexation agreement.</p> <p>3-Annexation needs to be revenue neutral to Nevada County.</p> <p>4-Sphere of Influence Update for Town of Truckee is required by Nevada County LAFCO. This is a 2 to 3 month process. If all parties are in agreement, a Sphere update and annexation can be complete in approximately 3 months.</p> <p>5-Land use entitlement process requires Master Plan Amendment, Zone Change, Development Permit, CEQA. Process is very similar to Nevada County. Requires 6 to 8 months to complete.</p>	<p><u>First Priority</u> – Receive Land Release from FAA for Non-Aeronautical land use or reasonable assurance we will receive release.</p> <p>1-This option is very similar to Option 2 except no development applications can be submitted to Town of Truckee until an annexation agreement between Airport and Town is complete.</p> <p>2-Annexation cannot commence until annexation agreement is finalized. Once finalized the actual annexation process takes approximately 3 months to complete.</p> <p>3-In summary this option requires 6 to 8 months before an application could be submitted to the Town for Development consideration.</p> <p>4-It's staff's opinion that this will not facilitate a timely process to meet the JMA/Clear Capital timeline. If annexation is the preferred option we should consider Option 2 as the quickest option.</p> <p style="text-align: center;">Eliminate from Consideration</p>

<p>Option 1 - Continued</p> <p>7-Airport can pay impact fees, infrastructure costs, and other costs specifically related to the development and improvement of Airport property. Researching these options and adoption of policy to permit such may require some time and consultant assistance. Staff estimates 3 to 6 months to explore, draft, approve and assure legality of Airport District incentives.</p> <p>8-Future permitting including change of use, tenant improvements, use permits must be approved by Nevada County. Town and County have similar land use tables per their zoning with similar uses allowed in Professional Office, Light Industrial/Manufacturing, and Commercial zones.</p> <p>9-In this option District may assume roll as developer to certain extent. Available economic development options relate specifically to the offsetting of development fees and costs.</p>	<p>Option 2 - Continued</p> <p>7-If an annexation agreement is in place, Nevada County would likely defer to Town of Truckee design standards and requirements for project. However, County Board of Supervisors would have ultimate approval authority over what is required.</p> <p>6-Annexation and Land Use Entitlements can run concurrently. Annexation could also be completed after project has been approved by Nevada County. Timeline and process would have to be outlined in Annexation Agreement.</p> <p>7-Airport Property would be eligible for Town of Truckee Economic Development Incentive Funds. No need for Airport District to retain legal counsel and or consultant assistance to craft incentive policy that meets FAA grant assurances and other legal requirements.</p> <p>8-After annexation, annexed Airport Property would be subject to Town of Truckee land use regulations and processing.</p>	
<p>Estimated Time Requirement: No annexation agreement is required for this option. Some additional time would be required to craft and construct economic incentives related to infrastructure improvements and impact fee payments. It is possible to have this process complete and ready to begin construction within 12 months.</p>	<p>Estimated Time Requirement: Assuming Airport and Town can agree within 2 months on an annexation agreement and JMA/Clear Capital can finalize agreements with the Town of Truckee on the Economic development funding, this could be the quickest option. Staff estimates this at 8 to 12 months to be able to begin construction.</p>	<p>Estimated Time Requirement: Its staff's estimation that this option requires the most time due to the annexation issues. 14 to 18 months.</p>

Time Estimate Assumptions for options 1-3:

1. All parties are in agreement on process and review parameters. (Options 1-3)
2. Town Council and Airport District Board can complete Annexation Agreement within 2 to 3 months if it's the preferred option. (Option 2-3)
3. Developer/Applicant submits high quality and complete plans to Nevada County. (Options 1-3)
4. Standard Plan Review turn around by Nevada County and timely resubmissions by Applicant. (Options 1-3)
5. Airport District can legally provide development incentives and meet grant assurances. (Option 1)