

1 The following is a condensed version of the TRUCKEE TAHOE AIRPORT DISTRICT BOARD OF DIRECTORS special  
2 meeting held Tuesday, January 6, 2015 at the Truckee Tahoe Airport District Community Room, 10356 Truckee  
3 Airport Road, Truckee, California at 3:00 p.m.

4 **CALL MEETING TO ORDER:** 3:00 p.m.

5 **DIRECTORS PRESENT:** President John B. Jones Jr.  
6 Vice-President Lisa Wallace  
7 Director James W. Morrison  
8 Director Mary Hetherington  
9 Director Tom Van Berkem

10 **DIRECTORS ABSENT:** None

11 **STAFF PRESENT:** Mr. Kevin Smith, General Manager  
12 Mr. Phred Stoner, Director of Operations & Maintenance  
13 Ms. Sally Lyon, Director of Finance and Administration  
14 Mr. Hardy Bullock, Director of Aviation and Community Services  
15 Mr. Brent Collinson, District Legal Counsel  
16 Mr. Marc Lamb, Aviation and Community Services Associate  
17 Ms. Lauren Tapia, Administrative Clerk

18 **VISITORS PRESENT:** 71

19 **SPECIAL ORDERS OF BUSINESS:** None.

20 **PUBLIC COMMENT:** Mr. Andrew Terry thanked Mr. Phred Stoner, Director of Operations & Maintenance and the  
21 Airport Operations & Maintenance staff for their help with the Truckee Community Christmas.

22 **AD HOC COMMITTEE SUMMARY REPORT AND UPDATE**

23 Mr. Kevin Smith stated that no formal action will be taken tonight whether the District will build a building, but that the  
24 Board will review and prepare for decisions that could come about at the January or February regular Board meetings. A  
25 Request for Proposal (RFP) may be issued to solicit construction services, which does not obligate the District to  
26 construct a building. Mr. Smith informed the public that public comment will be taken for each tab item.

27 Director Tom Van Berkem stated that the Airport District has been aware that it, in the future, would be needing to seek  
28 out alternate and new sources of revenue. It is being proposed that the District construct a 10,000 sq. ft. office building,  
29 where its premiere tenant would be Clear Capital. Director Van Berkem informed the Board that the District would  
30 financially break even in twenty years, after which will return a profit, with an estimated 3-4% return, and will generate  
31 six million dollars in cash over thirty years. More importantly, it will help keep up to 130 jobs in the Truckee Tahoe  
32 region.

33 President Jones stated that the Ad Hoc Committee would like to ask the Board to defer the discussion of annexation to  
34 the planning session which will be held in February. The proposed future location of the building would be where the  
35 current long term parking is located. Ward Young has been retained to do elevation analysis and planning of the space  
36 and President Jones showed the elevation and floor plan drawings via his PowerPoint presentation. President Jones  
37 indicated that the biggest motivation of the construction of the building is for additional leasing revenue streams for the  
38 District. Development opportunities were discussed in the Airport Master Planning process and it was found that Block B  
39 (where the office building is proposed to go) was appropriate for revenue producing non-aviation development.

40 President Jones expressed that the Truckee Tahoe Airport needs to strive for financial self-sufficiency. The possible loss  
41 of the TTAD property tax dollars (similar to the loss of redevelopment agency dollars that occurred across the state) is a  
42 possibility.

43 Director Hetherington questioned the proposed lease terms. President Jones stated that the lease terms have not been  
44 negotiated yet, but that it is important that the District get a ten year lease. There may be an option for Clear Capital to  
45 be released from their lease at seven years, if they chose to buy their way out. Director Hetherington stated that if the  
46 tenant could buy themselves out at seven years, the District has thirteen years until the building is paid off without a  
47 secured tenant. President Jones stated that vacancy factors were included in the financial assumptions that were drawn  
48 up by Mr. Mark Wasley. Director Hetherington has concerns about police services and how they will be contracted and  
49 does not agree with annexation being addressed as a future and separate Board topic. Director Hetherington stated that  
50 she believes it is a good thing to keep Clear Capital in the region, but if they leave the area, there is huge risk to the  
51 District regarding vacancy of the building.

52 **PUBLIC COMMENT:** Mr. Smith and Mr. Hardy Bullock read letters from Mr. Mark Featherstone from the Truckee  
53 Bike Park, Mr. Steve Randal from Truckee Donner Recreation and Park District, and Mr. Mike Blide owner of the  
54 Cottonwood restaurant, which wrote in support of the District constructing an office building.

55 Mr. Terry stated that the biggest revenue producer is fuel sales, and that the District seems to not be under any  
56 financial stress.

57 Ms. Karen Kerry, with Tahoe Safe Alliance, expressed deep concern if Clear Capital were to move its remaining  
58 Truckee jobs to Reno, NV. She would like the District to consider helping them stay in the area any way they can.

59 Ms. Katie Flynn, representing Truckee Elementary Parent Teacher Organization (PTO), stated that Truckee  
60 Elementary School would not be the school it is today, as Clear Capital is a huge donor.

61 Mr. Rich Stevens, Truckee resident, stated that he is in support of the District constructing an office building, with  
62 Clear Capital as its first tenant. Mr. Stevens expressed concern about annexing into the Town of Truckee, as it adds  
63 another layer of approval and extractions.

64 Ms. Peggy Martin, representing Big Brothers Big Sisters, stated that Clear Capital is a major investor in the local  
65 community by supplying jobs for its residents, but they also invest in the youth of the community. Ms. Martin  
66 stated that Clear Capital supports Big Brothers Big Sisters significantly.

67 Mr. Hoka Lee, representing Disabled Sports USA Far West, stated that Clear Capital has been a major donor as  
68 well as a supporter of their employees volunteering with Disabled Sports. Mr. Lee expressed that Clear Capital's  
69 employees are the true assets to the Truckee Tahoe region.

70 Mr. Norm Justesen, retired pilot and longtime resident, stated that there are few well paid private employers in the  
71 region, and that there needs to be a win-win compromise found to keep Clear Capital here.

72 Mr. Mark Tanner, representing Truckee American Youth Soccer Organization (AYSO) and the Truckee Little League,  
73 expressed that Clear Capital has been a huge financial sponsor, and their staff has contributed large amounts of  
74 volunteer time. Mr. Tanner also stated that the Truckee Tahoe Region needs more office space like the District is  
75 presenting, as it allows for more flexibility, as space is a very hard thing to come by in Truckee.

76 Mr. Aaron Stern, Truckee Bike Park Volunteer, stated that Mr. Kevin Marshall saw the vision of the Bike Park and  
77 helped make it what it is today. Clear Capital was the first major sponsor of the park, and now it's a park that  
78 attracts travelers from outside the area.

79 Mr. Christian (last name not disclosed), Clear Capital employee and Truckee resident, stated that Clear Capital  
80 chose Truckee because it is a beautiful place to work, play and live. Mr. Christian expressed that he hopes the  
81 Directors make the best decision to keep Clear Capital in the area.

82 Ms. Alexis Oller, with Mountain Area Preservation, supports keeping Clear Capital in the region, but stated that the  
83 topic of annexation into the Town of Truckee is important and should move concurrently with this project. And  
84 noted the PC-3 property down the road will be getting its approval soon.

85 Ms. Allie Fry, Clear Capital employee, stated she grew up in the Tahoe Truckee region and went away for college,  
86 when she wanted to come home after college, there were not adequate jobs in this area. Ms. Fry stated that she  
87 continued her career outside of this region for several years, but once an opportunity opened up at Clear Capital  
88 that enabled her to return home she did. Ms. Fry expressed that the Board has much to consider, as Clear Capital is  
89 added value to the community, and she hopes the board can try to keep Clear Capital here.

90 Ms. Carol (last name not disclosed), from Kids Zone Museum, stated that Clear Capital has been a great supporter  
91 of Kid Zone's special events.

92 Mr. Cody Salinas, Clear Capital employee, stated that Clear Capital invests in the lives of its employees, and the  
93 Truckee Tahoe region relies on the sustainability of Clear Capital's employees. The employees are future home  
94 buyers, their kids are future students of local schools.

#### 95 **PROJECT DEVELOPMENT COST ESTIMATES AND RETURN ON INVESTMENT**

96 Mr. Smith stated that tab item 2-4 will be presented all together, and that Mr. Mark Wasley will be presenting the  
97 basics of those tab items. Mr. Wasley has provided documents in the Board book that supplies a tremendous  
98 amount of financial data and forecasts. Mr. Smith stated that item 4, the review of the commercial lease rate, CPI  
99 increases and tenant improvement allowances is a study that will help the District craft a lease agreement if the  
100 Board decides to move forward with submitting an RFP to solicit construction services.

101 Mr. Wasley introduced himself to the Board and warned the Board that he will be summarizing a lot of data. Mr.  
102 Wasley stated that he put together a thirty year cash flow model on the project to show how it would affect the  
103 revenues and diversification for the District. Mr. Wasley informed the Board that the total development cost,  
104 before land allocation, is approximately 3.2 million dollars. Mr. Wasley expressed that the numbers are  
105 conservative, and that if an RFP is released the District will receive further confirmation of the cost estimate of the  
106 potential office building. President Jones informed the Board that Mr. Peter Beaupre came up with the cost  
107 estimates and Mr. Wasley projected the cost estimates. The District will not be able to receive hard cost on the  
108 project until an RFP is issued.

109 Mr. Wasley presented a return summary to the Board that includes different lease rates, when the District would  
110 break even (different amount of years depending on the lease rate), internal rate of return percentage, and it all  
111 assumes the same 3.2 million dollars before land evaluation. Mr. Wasley presented a cash flow timeline chart to  
112 the Board that compared the rates of return (each lease rate) of the proposed office building and the rates of  
113 return of the LAIF account. Each scenario, again, includes the initial investment of 3.2 million dollars, and each  
114 lease rate scenarios assume that the District maintains ownership of the Building after thirty years. Director  
115 Hetherington questioned why the lease rate scenarios appear flat in the portion of the cash flow timeline chart.  
116 Mr. Wasley replied that at year twenty, a retrofit of the space is assumed. Director Hetherington asked if the chart  
117 assumes 100 percent occupancy. Mr. Wasley replied that the first ten years assumes 100% occupancy, but there  
118 after it assumes less occupancy to allow for some level of risk. Director Van Berkem stated that with the proposed  
119 open space concept of the building, it will allow for reconfiguration if Clear Capital chooses not to renew their  
120 initial lease, which could lead the building to have a continued high occupancy rate.

121 Vice-President Wallace stated that she appreciated Mr. Wasley's work, especially building in the occupancy rate  
122 and all of the financial detail behind the project.

123 **PUBLIC COMMENT:** Mr. Terry asked if adjustments were applied to the financial forecast, specifically inflation. Mr.  
124 Wasley stated that it does include a 3% escalation of rent.

125 **ANALYSIS OF PROPERTY TAX TRENDS AND TEN YEAR FINANCIAL FORECAST**

126 Mr. Smith stated that the Capital Facilities Forecast Plan is a ten to twenty year revenue forecast which is adjusted for  
127 inflation. Mr. Wasley expressed that he tried to create outside ranges and a baseline forecast model for all the projects  
128 the District has on the table. Mr. Smith explained to the Board that just because all of the projects are listed, it does not  
129 indicate that they will be constructed, but the forecast shows, if the District did them all, what the District's financial  
130 picture would look like. Vice-President Wallace inquired about the "land acquisition and community outreach" line.  
131 President Jones stated that the District historically purchases land, and the District budget includes 1 million dollars a  
132 year for the purchase of land. The committee wanted to assume that the District would need that line item in the future  
133 to purchase land. Mr. Smith also stated that line item also includes \$100,000 for community outreach projects that were  
134 identified in the Master Plan.

135 Vice-President Wallace stated that she is generally in favor of keeping Clear Capital in Truckee, and that the District  
136 doesn't necessarily need a different investment strategy. She believes that this project is a standalone case, not as an  
137 investment opportunity. Director Morrison stated that he does not believe this project is shifting the District's financial  
138 strategy, it's adjusting one small part of it. Director Morrison also added that the District, being small government,  
139 should be proactive.

140 **PUBLIC COMMENT:** Mr. Terry reiterated that the District is under no financial threat. And that he believes the 3-4% rise  
141 in the property tax revenue stream is too conservative.

142 **REVIEW OF COMMERCIAL LEASE RATE, CPI INCREASES, AND TENANT IMPROVEMENT ALLOWANCES**

143 Mr. Smith stated that the market study done by Johnson, Perkins and Associates would be used to help craft a lease  
144 agreement between the District and Clear Capital. Mr. Smith expressed to the Board and public audience that the  
145 District is not building a "free" building for anyone, but that the District is acting as a developer. The District is proposing  
146 to build an office building and lease it at market conditions.

147 President Jones stated that the net result of the Johnson Perkins study is that \$1.30/sq.ft. is a reasonable rate, that a  
148 minimum of 3% increases annually and the buildings that offered Tenant Improvement allowances \$25-\$35/sq.ft. is  
149 realistic.

150 Vice-President Wallace stated that the Board has heard a lot of people in support of Clear Capital asking the Board to  
151 move forward with the project. Vice-President Wallace expressed that the District is not subsidizing a building, the  
152 release of robust financial data is a reflection of the District being good stewards of tax dollars.

153 Director Hetherington stated that she received phone calls stating that this project is not the duty of a public entity.

154 Director Morrison stated that he agrees that the District is not under financial stress, but that the District has a goal to  
155 make sure it stays that way. Director Morrison believes that this project helps the community in a lot of ways.

156 District Counsel Collinson stated that per Public Utilities Code 22553 specifically authorizes Airport Districts to lease  
157 property.

158 **PUBLIC COMMENT:** Mr. Terry stated that there are empty buildings in the area, and with new buildings being built it will  
159 increase the office building supply. Mr. Terry asked that the District act in a very business-like way, as the District has  
160 failed to do inflation adjustment leases in the past with other leases.

161 Mr. Jody Sweet, Truckee resident, stated that he would like the idea of a “tech” airport. As many Bay Area companies  
162 would love to have satellite offices up here, if the development is done correctly and placing in fiber optic rings that  
163 would connect to the Utah ring and the Bay Area ring, companies will come and airport revenues will grow.

164 Vice-President Wallace inquired about the press release stating the 400 Clear Capital positions moving to Reno.  
165 President Jones stated that he had a conversation with Ms. Sarah Lambert, Vice-President of Human Resources, stated  
166 that the 400 positions are a projection over a long period of time. Vice-President Wallace also questioned the increase of  
167 90 positions (stated in December) to 130 positions stated tonight. President Jones stated that Ms. Lambert clarified with  
168 him that the long term projection for the Truckee is office is 130 positions.

169 **PROPOSED AMENDMENT TO PI 303 – EXPENDITURE AUTHORIZATION – PROCUREMENT**

170 President Jones stated that he does not think it is relevant to re-amend Policy Instruction 303. Mr. Smith replied  
171 that he agrees, and that the current project has an aggressive schedule. Mr. Smith stated that in the future the  
172 Board should look into a procurement guideline that helps clarify land development.

173 **PUBLIC COMMENT:** None

174 **AUTHORIZE OR NOT AUTHORIZE ADHOC COMMITTEE AND STAFF TO FINALIZE A BUDGET LEASE AGREEMENT AND**  
175 **BRING PROJECT PROPOSAL BACK FOR APPROVAL**

176 Mr. Smith stated that the District has an RFP that is out for public inspection that requests a contractor to get the project  
177 going. Mr. Beaupre stated that the proposed RFP is looking for a metal building contractor to keep costs in line. Mr.  
178 Beaupre stated that the conceptual design from Ward-Young will be used for the contractor to develop firmer plans. Mr.  
179 Beaupre expressed that the community/region does not have a metal building contractor that would be capable of  
180 constructing the building that is proposed. Local contractors would be hired to do the rest of the projects outside of the  
181 metal construction of the building.

182 Director Van Berkem stated that he has been getting a lot of concerned responses from the public about the due date of  
183 the finished building, and how realistic it is. Mr. Beaupre, stated that if the District can get a contract on board quickly,  
184 the probability of a timely completion is very good. President Jones stated that the Ad Hoc Committee is asking for the  
185 release of the RFP on January 7, 2015 and a due date by January 27, with another special Board meeting the second  
186 week in February to discuss the proposals further. Director Hetherington questioned when a lease agreement with Clear  
187 Capital will be negotiated. President Jones stated that the committee agrees that until the District understands the hard  
188 cost of the project, it will be an interim and transparent process. President Jones informed the Board that when the  
189 District is ready to bring lease proposals to Clear Capital, they will be prepared to be very responsive. President Jones  
190 believes the District will know whether or not a deal will be in place by the end of February. Mr. Smith stated that the  
191 entitlement process will make or break this project, there is no time to waste, and it’s estimated to take 6-8 months.

192 Vice-President Wallace questioned page 3, section 1. e, and asked Mr. Beaupre the source of the specs. Mr. Beaupre  
193 stated that the specs are the same as the terminal building. Vice-President Wallace also stated that she would like to  
194 strike the word “preferably” from section 1. C, and change “Town of Truckee Planning Department” to “Town of Truckee  
195 Development Code and policies, procedures and determinations”. Vice-President Wallace also stated she wants to add  
196 “if the RFP specs cannot conform to the Town of Truckee Development code, that those be summarized or called out.”

197 Director Van Berkem stated that he prefers the word “preferably” to stay because it keeps the project from being  
198 debated whether it fits Town of Truckee’s guidelines. Mr. Larry Young, from Ward Young, stated that the Town of  
199 Truckee’s guidelines are much more extensive and specific than the Nevada County guidelines. Director Van Berkem  
200 stated that he would like to have an itemized cost differences of the standards for Nevada County and for Town of  
201 Truckee. Mr. Beaupre, stated that the selected metal building contractor would not be able to supply the cost

202 differences between the different guidelines, their bid will be based on the elevation drawings that will be included in  
203 the RFP. The detail Director Van Berkem is seeking would be found after the selection of the winning metal building  
204 contractor, Ward Young would clarify all of the details. Director Van Berkem expressed that he continues to be nervous  
205 about taking out “preferably”, he believes the District should be a good corporate citizen of the Town of Truckee but that  
206 the District should reserve the best options for the District.

207 President Jones stated that he would like the RFP to be as clear as it needs to be in order for the District to get a correct  
208 estimate cost. President Jones also stated that the information regarding if the facility complies with the County and the  
209 Town of Truckee guidelines is a separate process. Mr. Beaupre stated that when the RFP is being responded to over the  
210 next month, he will be able to meet with Mr. Smith and Ward Young to get a better understanding of the difference in  
211 the development standards. President Jones stated that he would like to send out the RFP in its original wording.

212 Vice-President Wallace thanked Mr. Beaupre and President Jones for explaining the two separate processes that would  
213 need to take place. Vice-President Wallace questioned when the guideline compliance will take place. Mr. Smith stated  
214 that he would be working on that this week and will have the answers by the next special Board meeting in February.

215 Director Hetherington questioned the 6-8 month schedule and if it is for the use permit application or the building  
216 permit application. Mr. Beaupre stated that it was for the use permit application, and that the building permit  
217 application should take 6-8 weeks. Director Hetherington also asked when the lease agreement becomes a hard  
218 agreement. Mr. Smith stated that Staff can bring forth a draft lease agreement to the January Board meeting, which will  
219 not have a lease rate in it.

220 District Counsel Collinson stated that on the bottom of Page 1, Section A, item 5, add that this project is a public works  
221 project.

222 **PUBLIC COMMENT:** Mr. Terry stated that the rate that will be negotiated is the market rate, which the cost of the  
223 building will affect the market rate. Mr. Terry also brought up that the location of the proposed office building is in an  
224 aviation zone B, which should be a hardened building, which should be identified in the RFP. Mr. Smith stated that the  
225 District will need to make sure to look into any extra architectural requirements of the building.

226 Mr. Richard Anderson, Nevada County Supervisor – District 5, stated that the processing of the development itself is over  
227 six months. Mr. Anderson believes that the conversation between Nevada County, Town of Truckee and TTAD needs to  
228 begin quickly. Mr. Anderson also expressed that he is impressed with the discussion that went on tonight.

229 Mr. Tony Lashbrook, Town of Truckee Manager, stated that it has been a while since he has compared the Town of  
230 Truckee guidelines to Nevada County guidelines. The biggest differences are with snow, snow loads, entry protection  
231 from the snow, and proper orientation of the building. Also the push for the use of authentic materials, not the use of  
232 fake rocks (cultured stone), applied trusses. Mr. Lashbrook stated that based on the elevation design, the proposed  
233 building is designed pretty close to the Town of Truckee’s guidelines.

234 Director Hetherington stated that she is in support of Clear Capital remaining in the area, though she expressed that she  
235 is unsure if she wants this area to develop into an office park and for that to take a precedent over other projects.  
236 Director Hetherington stated that she wants the District to start conversations about annexation, LAFCO and the ideas  
237 that were brought up in the Master Plan process.

238 Mr. Smith stated that the February 12<sup>th</sup> Board workshop/retreat’s theme is development and growth strategies. Director  
239 Van Berkem stated that he is interested in understanding the true pros and cons of annexation. Director Morrison also  
240 stated that he likes the idea of having a conversation about annexation as a separate discussion.

241 **MOTION #1 JANUARY-6-15:** Director Van Berkem motioned to approve The RFP as written with the additions and  
242 clarifications that were discussed (zone B) and District Counsel Collinson’s addition stating this is a Public Works

243 project. Director Morrison seconded the motion. President Jones, Vice President Wallace, Directors Hetherington,  
244 Morrison and Van Berkem voted in favor of the motion. The motion passed.

245 **BOARD MEMBER ANNOUNCEMENTS**

246 Director Hetherington expressed concern about staff time and bandwidth; and she has a real concern that District  
247 staff can't do it all.

248 **ADJOURN**

249 **MOTION #2 JANUARY-6-15:** Director Van Berkem motioned to adjourn. Vice-President Wallace seconded the  
250 motion. President Jones, Vice President Wallace, Directors Hetherington, Morrison and Van Berkem voted in favor  
251 of the motion. The motion passed.

252 At 5:51 p.m. the January 6, 2015 special meeting of the Truckee Tahoe Airport Board of Directors adjourned.

DRAFT