

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

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

DIRECTORS PRESENT: President John B. Jones Jr.
Vice-President Lisa Wallace
Director James W. Morrison
Director Mary Hetherington
Director Tom Van Berkem

DIRECTORS ABSENT: None

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

VISITORS PRESENT: 71

SPECIAL ORDERS OF BUSINESS: None.

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

AD HOC COMMITTEE SUMMARY REPORT AND UPDATE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PROJECT DEVELOPMENT COST ESTIMATES AND RETURN ON INVESTMENT

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

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

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

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

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

ANALYSIS OF PROPERTY TAX TRENDS AND TEN YEAR FINANCIAL FORECAST

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

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

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

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

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

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

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

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

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

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

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

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

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

PROPOSED AMENDMENT TO PI 303 – EXPENDITURE AUTHORIZATION – PROCUREMENT

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

PUBLIC COMMENT: None

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

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

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

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

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

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

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

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

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

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

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

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

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

Director Hetherington stated that she is in support of Clear Capital remaining in the area because of the local employee base. She had several concerns about the project though. Director Hetherington expressed concern that the District may find itself competing with private commercial space, which past Boards have noted is not the District’s mission. She does not want the potential building to be considered as a precedent setting. Director Hetherington stated that conversations about annexation need to be addressed sooner rather than later and that she does not agree with the statements that the District needs to generate revenue. Lastly, Director Hetherington conveyed that the amount of staff time being devoted to commercial office building project as well as other aviation construction projects means that other potential projects that were put forth during the Master Planning sessions in March of 2012 are getting bumped farther down the road; Director Hetherington believes there needs to be more balance.

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

MOTION #1 JANUARY-6-15: Director Van Berkem motioned to approve The RFP as written with the additions and clarifications that were discussed (zone B) and District Counsel Collinson's addition stating this is a Public Works project. Director Morrison seconded the motion. President Jones, Vice President Wallace, Directors Hetherington, Morrison and Van Berkem voted in favor of the motion. The motion passed.

BOARD MEMBER ANNOUNCEMENTS

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

ADJOURN

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

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

John B. Jones, Jr., President of the Board

Kevin Smith, Secretary of the Board
