

1 The following is a condensed version of the TRUCKEE TAHOE AIRPORT DISTRICT BOARD OF DIRECTORS special
2 meeting held Wednesday, February 11, 2015 at the Truckee Tahoe Airport District Community Room, 10356
3 Truckee Airport Road, Truckee, California at 5:30 pm.

4 **CALL MEETING TO ORDER:** 5:30 p.m.

5 **DIRECTORS PRESENT:** President John B. Jones Jr.
6 Vice President Lisa Wallace (left at 7:48pm)
7 Director J. Thomas Van Berkem
8 Director James W. Morrison
9

10 **DIRECTORS ABSENT:** Director Mary Hetherington
11

12 **STAFF PRESENT:** Mr. Kevin Smith, General Manager
13 Mr. Phred Stoner, Director of Operations & Maintenance
14 Mr. Hardy Bullock, Director of Aviation and Community Services
15 Ms. Sally Lyon, Director of Finance and Administration
16 Mr. Brent Collinson, District Legal Counsel
17 Mr. Marc Lamb, Aviation and Community Services Associate
18 Mr. Mike Barrett, Safety Coordinator
19 Ms. Denae Granger, District Clerk
20

21 **VISITORS PRESENT: 13**
22

23 **SPECIAL ORDERS OF BUSINESS:** Mr. Smith reminded everyone about the offsite Board retreat on Thursday,
24 February 12 at 9:00am.

25 **PUBLIC COMMENT:** Mr. Tom Meadows stated that as he has to leave soon, he would like to make his comments
26 regarding Clear Capital. He said when he talked to Mr. Smith a couple months ago about the subject, it sounded
27 like it was unmoving, which is no longer the case. He was under the impression that the main reason for buying
28 land was to provide buffer space and open space for the Airport, and now it is proposed to build a non-aviation
29 building on the land. He asked the general question of what the Airport needs the money for. He questioned
30 what would keep Clear Capital from moving the remainder of their business to Nevada. He questioned the lease,
31 as well as the Airport fronting the money. Mr. Meadows offered an idea of doing a land lease with a private
32 sector who fronts the money, he also suggested a snowboard shop building. President Jones brought the Board
33 and public up to speed on the Clear Capital topic. He stated by request of Clear Capital and staff, the location has
34 changed. The new proposed location will face Chandelle Way, with the Hertz rental car to be in the building as
35 well, which will allow for a possible second rental car company to occupy that side of the building. The car
36 companies' entrance will be on Airport Road. The benefits of this are that it will reduce the costs of the Clear
37 Capital side of the building by approximately \$200,000, give the District a better yield of 40 basis points, and have
38 the opportunity of adding a second rental car option. Mr. Smith stated that currently, Hertz, Avis and Enterprise
39 work out of the Airport, but Hertz is the only fixed location.

40 President Jones stated that the District asked Johnson Perkins to do an appraisal to get information on
41 comparable commercial space. Part of the analysis was to look at Truckee, the location, and the type of building
42 to be built. For this estimate, Johnson Perkins gave a rough cost of \$1.25-\$1.35/square foot for a 10,000 square
43 foot building. The cost of the building will be \$3.458 million. For analysis purposes, the appraisal included land
44 value, bringing the cost of the building to \$3.9 million.

45 Vice President Wallace asked President Jones how he arrived at the construction costs. Mr. Peter Beaupre, with
46 Prosser Building & Development, answered, going over the hard estimates on cost, as well as the soft estimates.
47 President Jones stated that there were three RFP's received for this, which was part of the basis of the cost
48 estimations. Mr. Beaupre stated that if the TI's (tenant improvements) go over \$275,000, the tenant pays the
49 difference. He said that the soft cost estimates, which include the permits and mitigation and impact fees, were
50 done with the help of Mr. Larry Young, with Ward-Young Architecture and Planning.

51 The return summary was looked at for the rate per square footage of \$1.20-\$1.30. Mr. Mark Wasley, financial
52 analyst, pointed out the net cash position of each rate scenario, as well as the break even years. President Jones
53 stated that if the project is continued, the rental car agency costs will be incorporated, which will increase returns
54 by approximately 40 basis points.

55 President Jones said that there are two items that are still unresolved in negotiations with Clear Capital, the rate
56 and the term. Currently, Clear Capital would like the Airport District to consider \$1.20/square foot, and a ten year
57 lease with the option of getting out after seven years, after giving the District 270 days' notice, and paying for an
58 extra years' rent (which includes six month's rent, and the tenant paying for the unamortized portion of the
59 tenant improvements). He asked the Board how they feel about the rate and the term. District Counsel Collinson
60 said that a minor issue that is being worked on are the considerations of special events, and using the parking for
61 Clear Capital with advance notice. Mr. Smith stated that it is in the lease. President Jones stated that if
62 something needs to be worked out in the next 24 hours, or the project will be off as there will not be enough time
63 to build the building.

64 Vice President Wallace asked if Clear Capital would be willing to share the building with two rental car companies.
65 President Jones clarified that the entrance for the rental car companies will be on Airport Road, while the
66 entrance to Clear Capital will be on Chandelle Way. Mr. Smith stated that Clear Capital and the rental car
67 companies will be separated very clearly. He believes the two will not have much interaction. Vice President
68 Wallace clarified that the rate and term have not changed since the January 28, 2015 meeting. President Jones
69 confirmed this. Vice President Wallace questioned the construction of the building as to how it is relayed in the
70 Master Plan. President Jones said that there was an observation made that the Fire Department makes a lot of
71 noise with the loudspeakers, so Clear Capital would like to move further away from that location. Mr. Smith had
72 an idea of adding a second car rental company here. By having car rental companies in the same building, the
73 costs of having the building built is lower, which equals a better return. Mr. Smith said that the street frontage
74 will also be preserved. President Jones added that the further away from Soaring Way the building is, the happier
75 the town will be.

76 Director Van Berkem said that the location shift makes sense, but his concern is the rental rate and term. What is
77 disappointing to him is that this was supposed to be the headquarters of Clear Capital, but is now just a building
78 to house the employees until they quit or move on. He believes that at a higher rate, it is a good project.

79 President Jones said that to allow Clear Capital to compare this lease to the lease in Reno, the insurance, snow
80 removal, landscaping taxes, among other things, were looked at. Those estimates came out to be \$.25/square
81 foot, plus the possessory tax at \$.11/square foot, as well as utilities, coming to about \$.10/square foot. The total
82 rate would be approximately \$.46/square foot on top of the proposed rate.

83 **PUBLIC COMMENT:** Mr. Andrew Terry commented that he is surprised at the low rate of the Johnson Perkins
84 analysis. He stated that having one building for Clear Capital and the rental companies will confuse the issue and
85 make it difficult to track the money. He agrees that it is cheaper for one building, but stated that they are two
86 completely different uses. Regarding street-scaping, he believes it is better to have different buildings coming

87 down Airport Road. He also finds it hard to believe that the Fire Department is louder than the Airport. He thinks
88 it would be easier in the long term if there were separate buildings.

89 Mr. Helge Hukari, the COO of Clear Capital, addressed a couple of points, starting with the lease range. He said
90 that Clear Capital analyzed the rate based on two perspectives. The first was to not look at what they are getting
91 in Reno, versus what they are getting here as it is difficult to compare the two. The second perspective was that
92 Clear Capital has been trying to figure out the market rates for the last ten years in Truckee, and they agree that
93 \$1.20/square footage is fair, as they currently sublet their space for that rate. Regarding the term, he confirmed
94 that changing from ten years to a seven year buyout is advantageous. Mr. Hukari stated that this lease is the
95 longest term they have signed in Reno, Truckee, or Roseville. Regarding the TI's, the initial proposed cap was at
96 \$350,000, which has since been lowered to \$275,000. Clear Capital has no interest in spending money just to
97 spend money. Regarding the new location, he believes that it is a win-win for both Clear Capital and the Airport
98 for the reason of not being right next to the Fire Department, while still saving approximately \$200,000.

99 Mr. John Manocchio, on behalf of the Truckee Donner Chamber of Commerce, commented that from an
100 economic standpoint, Clear Capital is extremely important the community, and that the number and quality of the
101 jobs should not be underestimated. Clear Capital is also a nurturing ground for entrepreneurs. They are very
102 committed to the community. The Chamber feels it is important that Clear Capital keep a presence in the
103 community. He also complimented the Airport Board and staff on working so hard to make this happen.

104 Ms. Lynn Saunders, also on behalf of the Truckee Donner Chamber of Commerce, echoed Mr. Manocchio's
105 comments. She also thanked the Airport Board for the Place Based Marketing Project that was approved at the
106 January 28, 2015 Board meeting. She feels optimistic that there is a way to keep jobs here, and it is a good
107 business decision for both Clear Capital and the Airport.

108 Mr. Bullock read a letter addressed to the Board from Mr. Ciro Mancuso. Mr. Mancuso had several questions
109 related to the Construction and Development Agreement (CDA), Clear Capital and the proposed lease. District
110 Counsel Collinson, along with Mr. Smith addressed the issues and questions brought forth by Mr. Mancuso. The
111 first question related to the CDA and lease being within the District's original charter and authorized by law.
112 District Counsel Collinson stated that yes, the Airport District Act authorizes an Airport to lease property for any
113 use, however, the real restriction is that the income goes to a general fund, not a specific fund. President Jones
114 stated that currently, the Airport receives approximately \$305,000 a year for non-aviation warehouses. The
115 second question related to the CEQA act. Mr. Smith stated that the environmental review has already been done,
116 and staff has already spoken with Mead & Hunt on the CEQA review for the construction site. There have also
117 been numerous discussions with the public on this topic. The next question related to alternative and mitigation
118 measures that were considered for the project. Mr. Smith stated that traffic impact fees and all the mitigation
119 fees that are anticipated are included in the budget. Staff will talk with Placer and Nevada County and the Town
120 of Truckee, but the Airport District will be paying a mitigation fee as part of the project. The next question is in
121 regards to the District's aeronautical operations if it will subsidize the project and if it violates the law. Mr. Smith
122 stated that this does not touch the aeronautical revenue, and assuming the building remains occupied, it should
123 pay for itself. District Counsel Collinson added that in speaking with Mr. Peter Kirsch, an airport law specialist, he
124 is fine with the proposal, and there is no FAA hindrance to this project. The last question related to the conditions
125 that are required for the project. Mr. Smith stated that the District plans on complying with all mitigation fees. In
126 regards to Mr. Mancuso's earlier comment about having the CDA and lease out more than 24-48 hours before the
127 meeting, Mr. Smith stated that ideally, it would have been great to have the finalized agreement out a week
128 before, but a version of the CDA and lease has been out since the January 6 special Board meeting. Director
129 Morrison stated that this meeting was clearly announced to talk about the Clear Capital lease. Director Wallace

130 commented on the second letter that was circulated to the Board earlier in the day. Mr. Smith summarized the
131 letter from Mr. Jonathan Butler, reading that there are other municipalities that have had bankruptcy issues. Mr.
132 Smith is making sure the Airport is being cautious in decision making. District Counsel Collinson stated that
133 Section 22553 of the Public Utilities Code, authorizes the District to improve, construct or reconstruct, lease,
134 furnish or refurnish, use, repair, maintain, control the property of the District, including any building. The District
135 clearly has authorization to do that.

136 Ms. Tatiana Bennett said that she is surprised to hear the \$1.20/square footage is being discussed for a brand new
137 building for a specific customer, as the market rate is \$1.25-\$1.35/square foot. She asked what regulations are in
138 place if the tenant decides not to move in, or leaves before the seven years term.

139 Ms. Stefanie Olivieri thanked the Board for having the lease online, and for the openness of the project. She
140 would have liked to see the changes online as well. From her perspective, she believes this is a good deal for
141 Clear Capital with the use of tax payers dollars. But she believes the return is very low. She asked for clarification
142 from District Counsel Collinson regarding the lease and sublease. Ms. Olivieri stated that \$1.20-\$1.30/square foot
143 is very low and she is unsure why the District would entertain building this building and then renting it at the low
144 end. She expressed concern that this could drive down the market rate for the entire community. Clear Capital is
145 moving out of a big commercial space, leaving an empty space in that area. She believes that the minimum they
146 should be charged is \$1.35/square foot. She stated that when a public agency steps into the market and rents a
147 building at a low rate, the market is damaged. She commented that the building will now have a slightly north
148 facing entrance, which is not advantageous. Regarding the employees, Ms. Olivieri stated that the jobs are not
149 the lowest paying, but not the highest paying either, it is an incubator company in that the employees will move
150 on. She stated that seven years for their lease is not a long term, while offering a lot of concessions that may
151 impact this community. District Counsel Collinson directed the attention to Section Three of the lease regarding
152 options to renew the lease, and Section 21, page 17 relates to subletting. Ms. Olivieri questioned if subletting can
153 be unreasonably withheld. District Counsel Collinson said that it is stated in the lease, and is the general rule. Ms.
154 Olivieri asked if Clear Capital could sublease, District Counsel Collinson confirmed this adding that they would be
155 responsible for paying the rent. Ms. Olivieri questioned the common area maintenance (CAM). President Jones
156 stated that it is \$.25/square foot for CAM, but at the end of the year, Clear Capital pays any CAM costs over
157 \$.25/square foot. District Counsel Collinson agreed and added that if it is under \$.25/square foot, Clear Capital
158 would have a credit.

159 Mr. Kevin Demm, an employee with Clear Capital, stated that there are very good paying jobs with Clear Capital.

160 Ms. Bennett asked her question again about what regulations are in place if Clear Capital does not move in or
161 leaves before end of term. District Counsel Collinson stated that per the contract, if they do not move in, they still
162 owe the rent, and if they move out after five years, they owe the rent. If the ground work has not been
163 completed by October 15, either side has the option to back out. Prior to breaking ground, Clear Capital has the
164 option to leave, but must pay out of pocket costs. Ms. Bennett questioned the consequences if they are unable to
165 move in. Vice President Wallace stated that in the CDA, the terms are outlined, and there are penalties for both
166 sides. Director Van Berkem stated that if Clear Capital decides not to move in in July, they would owe eight years;
167 worth of rent. However, if the building is not ready for occupancy, the District covers the rent when Clear Capital
168 extends their lease at their current location. President Jones clarified that this is a holdover charge, up to
169 \$12,000/month of overages from not being able to occupy space.

170 Director Morrison brought up the CDA, and would like to change the completion of the concrete date from
171 November 1, to December 1, 2015. His primary concern over the lease is the lease rate.

172 Mr. Hukari expanded on the thoughts of Clear Capital. He stated that all three leases, with Roseville, Reno, and
173 Truckee are all different in relation to the charges, ie: CAM, utilities, janitorial services. Director Morrison said
174 that Clear Capital is assuming a certain amount of risk with the TI's. He wondered if the TI number was increased
175 as an offset to a higher monthly lease rate, if Clear Capital would like that. He stated that there are things that
176 can be done to make it work better for everyone. President Jones stated that the TI amount was already moved
177 from \$350,000 to \$275,000.

178 Vice President Wallace stated that she cannot support a lease rate of \$1.20/square foot. President Jones asked if
179 the Board agreed on moving the completion of concrete date from November 1 to December 1. This was agreed,
180 Director Van Berkem stated that it does not affect the final occupancy date. Mr. Beaupre stated that the key date
181 is the ground breaking date of October 15. It was decided to strike the completion of concrete date altogether.
182 The completion date was discussed, with May 1, 2016 as the date Clear Capital can start doing their tenant
183 improvements, and May 1, 2017 as the occupancy date. Mr. Beaupre stated that the District will do some of the
184 TI's, including basic interior walls, and lighting, basically anything that comes within \$25/square foot, and anything
185 additional is covered by Clear Capital.

186 President Jones asked the Board if they were comfortable with the term being a ten year lease with the ability to
187 get out at seven years, with a years' worth of rent and 270 days' notice. Vice President Wallace, Director Van
188 Berkem and Director Morrison agreed to the term.

189 Director Van Berkem stated that there are four things he is looking at. The first is what would be the alternative
190 use for the approximately \$3.5 million. The second is the non-aviation use of non-aviation land. This kick starts
191 the development of non-aviation land with a premier tenant. The last two are rate and ROI. He said that
192 businesses are making decisions for investments in spending money at substantially less than 3% ROI. Regarding
193 the rate, he is more comfortable with \$1.25/square foot. He does not want to undercut the market. Vice
194 President Wallace commented that it is hard to predict what the rate will do to the rest of the market. Mr. Smith
195 stated that with the Johnson Perkins appraisal, the Town of Truckee is leasing their office space to the private
196 sector at \$1.25/square foot.

197 Director Morrison asked Mr. Hukari about the difference in the TI's and why it was moved from \$350,000 to
198 \$275,000. Mr. Hukari stated that regarding the initial estimate, anything above that would be at the cost to Clear
199 Capital. Clear Capital has done some analysis of the building, the location and the TI's that will be required. He
200 stated that not having cubicles decreases the cost of the TI's, and so they were more comfortable with reducing
201 the amount to \$275,000. Director Morrison questioned if the District could do the TI's for \$275,000. Mr. Beaupre
202 confirmed this, saying that some economy in the building comes from having a metal building structure. Director
203 Morrison questioned if the TI's cost less than expected, if it is fine. District Counsel Collinson confirmed this. The
204 car rental space was discussed; all of the TI's will be covered by the Airport, and there will be approximately an
205 extra \$400,000 for the car rental area. Mr. Beaupre and Mr. Young will do research on the ROI portion of the cars.

206 Director Morrison asked if Clear Capital is comfortable with either a stand-alone building, or a building that
207 includes car rental companies. Mr. Hukari stated that they are comfortable with it. Director Morrison would like
208 to have the lease worded as such so that it could include one building for Clear Capital and another for the rental
209 car companies, or one building for both to make sure it does not preclude the District from doing one or the
210 other. Mr. Smith stated that there are some analytics to do on the revenue side of the rental car companies. Mr.
211 Mark Wasley asked when construction would begin on the building. Mr. Smith said as soon as the leases are
212 signed.

213 **MOTION #1 FEB-11-15:** Director Van Berkem made a motion that the Board approve the lease agreement and
214 CDA reflecting the modifications made during the meeting with the rate at \$1.25/square foot. President Jones
215 seconded the motion. Vice President Wallace and Director Morrison opposed the motion. The motion was
216 declined.

217 **MOTION #2 FEB-11-15:** Director Morrison made a motion that the Board approve the rate at \$1.30/square foot.
218 Vice President Wallace seconded the motion. President Jones and Director Van Berkem opposed the motion. The
219 motion was declined.

220 Director Morrison questioned improving the TI allowance. Director Van Berkem stated that by raising the price, it
221 costs the District more. Director Morrison agreed, but added that the District will get it back in time, value and
222 money. He asked Mr. Hukari if Clear Capital would accept \$1.30/square foot with \$25,000 more in TI's. Mr.
223 Hukari answered that it does reduce some risk.

224 **BREAK:** At 7:45 p.m. the Board recessed for a short break. At 7:56 p.m. President Jones reconvened the meeting.

225 Vice President Wallace left the meeting at 7:48pm due to a family emergency. Mr. Smith stated that there is still a
226 quorum, but all three Board members have to vote yes for a motion to pass.

227 **MOTION #3 FEB-11-15:** Director Van Berkem made a motion to approve the lease and Construction Agreement
228 with the amendments made at the meeting with the rate at \$1.27/square foot. Director Morrison seconded the
229 motion. President Jones, and Directors Morrison and Van Berkem voted in favor of the motion. The motion
230 passed. The motion authorizes the Board President to sign the lease based on the discussion and approval at the
231 meeting.

232 **BOARD MEMBER ANNOUNCEMENTS**

233 Mr. Smith reminded everyone about the Board retreat on Thursday, February 12, 2015 at 9am, and that Vice
234 President Wallace will not be present. He reminded Board members to take the survey sent out.

235 **PUBLIC COMMENT:** None

236 **ADJOURN**

237 **MOTION #4 FEB-11-15:** Director Van Berkem moved to adjourn. Director Morrison seconded the motion.
238 President Jones, and Directors Van Berkem, and Morrison voted in favor of the motion. The motion passed.

239 At 8:01 p.m. the February 11, 2015 special meeting of the Truckee Tahoe Airport Board of Directors adjourned.