

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

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

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

**DIRECTORS ABSENT:** Director Mary Hetherington

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

**VISITORS PRESENT: 13**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**BOARD MEMBER ANNOUNCEMENTS**

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

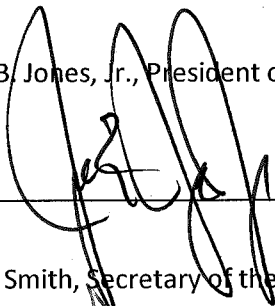
**PUBLIC COMMENT:** None

**ADJOURN**

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

At 8:01 p.m. the February 11, 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

