

CARSON NUGGET DEVELOPMENT ADVISORY COMMITTEE

Minutes of the September 27, 2010 Meeting

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A regular meeting of the Carson Nugget Development Advisory Committee was scheduled for 6:30 p.m. on Monday, September 27, 2010 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

PRESENT: Vice Chairperson Rob Hooper

Member Shelly Aldean

Member Brad Bonkowski

Member Lenny Chappell

Member Bruce Kittess

Member Carol Lange

Member Jim Lawrence

Member Phyllis Patton

Member Guy Rocha

Member Richard Stokes

Member Robin Williamson

STAFF: Larry Werner, City Manager

Andy Burnham, Public Works Department Director

Nick Providenti, Finance Department Director

Sara Jones, Library Director

Joe McCarthy, Business Development Manager

Neil Rombardo, District Attorney

Kathleen King, Recording Secretary

NOTE: A recording of these proceedings, the committee's agenda materials, and any written comments or documentation provided to the recording secretary during the meeting are part of the public record. These materials are available for review, in the Clerk's Office, during regular business hours.

1 - 2. CALL TO ORDER AND ROLL CALL (6:29:45) - Vice Chairperson Hooper called the meeting to order at 6:30 p.m. Roll was called; a quorum was present. Chairperson Dockery and Members Cardinal, Lewis, and Millard were absent.

3. ACTION ON APPROVAL OF MINUTES - April 26, 2010 and May 10, 2010 (6:30:17) - Member Bonkowski moved to approve the minutes. Member Aldean advised that she had communicated a clerical correction to the recording secretary. Member Williamson seconded the motion. Motion carried 11-0.

4. ADOPTION OF AGENDA (6:30:49) - Vice Chairperson Hooper noted only one item on the agenda and deemed it adopted.

5. PUBLIC COMMENTS AND DISCUSSION (6:31:00) - Vice Chairperson Hooper entertained public comment, and provided direction with regard to the same. (6:32:17) Dr. Joseph McEllstrom expressed support for the project. "I think we are facing a lot of challenges in Nevada and we are facing them at a greater degree than many other communities." Dr. McEllstrom noted the high unemployment rate, "some of the lowest in per pupil spending, highest foreclosure rates;" that mining and gaming are "impacted;" and that "we seem to be struggling more than most" cities. He expressed concern over the effect of the chronic struggle on "the psychology of the community. ... People start to dwell here; they don't live here. We really start to lose our connection and people start to lose their desire to invest

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psychologically in the community.” Dr. McEllistrom noted the “opportunity that no one else has in Nevada. Just by a series of very fortunate events, we might be gifted a multi-million dollar gift that won’t be the complete antidote but it’ll address a lot of the things that Nevada needs to shore up.” He suggested that a business incubator, a library, loft apartments, and a downtown cultural center will bolster the sense of community. He referred to the “little farmer’s market” as an example. He acknowledged the concerns and that “they may be valid,” but expressed dismay over “walk[ing] away from this and los[ing] an opportunity that no one else has ...” He expressed the hope “there’s an investment in figuring this out and how it can benefit the community.”

(6:34:58) Sev Carlson, a member of the Library Foundation Board and a Carson City native, expressed support for the project. “As a Foundation member,” he offered to “do whatever is in [his] power to convince other members to support this project.” He noted Western Nevada College, the “well-respected medical community and a wonderful hospital to showcase that community and the services they provide ... to residents of Carson City [and] the region.” He further noted the opportunity “to have a project centered around a library, which is a learning institution ... where any age group can come and learn, can come and explore.” He further noted the “entrepreneurial engine in this community that hasn’t been fully used and this library will allow for that ... for ... young people to have an opportunity to explore and to learn in a non-formal setting and to make Carson City be a place where they want to come back, where they want to raise their families.” Mr. Carlson advised of having grown up in Carson City, and discussed a desire for Carson City “to flourish ...”

(6:36:38) Carol Howell requested clarification relative to public comment. Mr. Werner explained the agendized item to present a status report to the committee. “We’re not in a position to debate the issues yet. We are still, at this stage, simply giving an update to the committee as we will come back one more time, at least, and then get into the nuts and bolts of what this is all about. We’re not ready, yet, to present a project that would go to the Board of Supervisors. This is simply an update to the committee and so, at that point, there’s really not a lot to take testimony on.” In response to a comment, Mr. Werner noted the requirement for public comment pursuant to the Nevada Open Meeting Law. Ms. Howell advised of having “been in many, many of these meetings,” and of never having “heard ... any tax incentive for the partnership as the car dealerships are getting for either sales tax, rent, income, property tax.” Mr. Werner advised there would be none for this project either. In response to a question, he advised of no intent for a tax incentive program “like there was for the car dealers or anybody else.”

(6:38:51) Emily Sermac advised of having moved to Carson City in 1999, and that she and her husband “frequent the library ... and find no problem with the library you have.” She expressed the understanding that a public building will be constructed on private property. She inquired as to the possibility of purchasing the property, and expressed opposition to “put[ting] a public building on private land.” She advised of never having heard “of taking a four-lane road and turning it into two lanes.” She expressed concern over the volume of traffic on Carson Street, and opposition to the proposed City Center project.

(6:40:08) Richard Schneider expressed agreement with Dr. McEllistrom’s comments, but disagreed “the solution is downtown. I think it’s in the neighborhoods.” Mr. Schneider expressed the opinion that the proposed library will only serve a small portion of the population, and reiterated that “the solutions are in the neighborhoods.” He suggested that new libraries should be constructed in the neighborhoods.

(6:40:55) Phillip Davies advised of having researched P3 Development projects, specifically the Waterfront Hotel in Stockton, California, which he reviewed.

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(6:42:55) Mike Pollard expressed confusion over “the placement of public comment,” and concern over increasing taxes other than the 1/8-cent sales tax “that they originally said.”

(6:43:23) Doreen Mack, of Lofty Expressions, advised of having had a retail business downtown for nine years and of having served as the Telegraph Square Merchants Association Chair. She noted the necessity of change and acknowledged the corresponding difficulties. “Our downtown needs to have people, something that we are drastically lacking right now, and to have any kind of success down there, we need to do something that’s going to create that kind of environment.” Ms. Mack reviewed statistical information relative to the number of library visitors annually. “To have this established facility in the heart of our town with a consistent flow of people and foot traffic is crucial for every business to be successful.” Ms. Mack noted that the construction phase will also employ “citizens of our community, the goal being that in a couple of years, we’ll be through the worst of this recession.” She expressed the opinion that a “strong downtown core” will create “a safer community by lowering crime rates and, in return, increasing our property values.” She advised that the 1/8 cent sales tax “equals to \$26 a year for a family of four. This will be accumulated in 30 years and will have earned \$12 million toward this project.” Ms. Mack expressed the hope that “everybody here will really consider this project.” She advised of being a third generation Carsonite, and of having “seen this town go through many changes. We have had parking on Main Street and downtown business shops. And, when all that left, we left our whole community behind.” Ms. Mack requested the committee’s consideration to “put the library downtown.”

(6:45:11) Morris White expressed the opinion that “it is inherently wrong and dishonest to put a public building on private property.”

(6:45:35) Katherine Cunningham, a member of the Carson City Library Foundation Board, expressed excitement over the City Center project. She expressed the belief that “a library is the backbone of any vibrant community.” She noted that the current library is “very well loved, very well used,” and “has served our community to the best of its ability for decades.” She further noted that the community’s needs have significantly changed since construction of the library. “... we need a facility that can meet not only the complex, changing needs of today’s community but of the next generation and beyond.” Ms. Cunningham expressed the belief that “because of the unique opportunity with the Mae Adams Foundation, we’re able to build a state-of-the-art knowledge center today.” She expressed the further belief that the “facility will help in so many ways.” She related anecdotal information regarding her children’s ability to learn through technology. She noted the potential of a digital media lab to “enable every single child in Carson City to have an interactive, enriching educational experience; through technology ... to be transported to Egypt or see what the inside of a human heart looks like. ... We’re limited only by our imagination as to the applications of it.” Ms. Cunningham expressed the hope to retain more young professionals in Carson City; “give them a reason to invest their time and talents in our community.” She expressed the belief that the City Center project will “foster our efforts to diversify our economy and ... contribute to our educational system in every way.”

(6:47:54) Carson High Technical Skills Committee Co-Chair Gary Lyon advised of having served on the committee for the last four years. He further advised of having spent “an incredible two, three hours ... with two representatives of businesses that have expressed interest in this community that represent the state-of-the-art in digital technologies.” He further advised of having “been on the border about what’s going on with the Nugget project, but in hearing what they are talking about as what they see as the possibilities for Carson City and, in seeing the excitement that they bring about what Carson with a downtown center that we’re talking about,” he is now excited “about the possibility of, even if it costs me twice as much as what we’ve talked about, I’d be more than happy to because I can see my son finally saying, ‘Dad, there’s a

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reason for me to stay here ...” Mr. Lyon expressed appreciation for the committee’s difficult challenge, and communicated a vision for “not so much a library, per se, ... but a place where a community comes together and where we combine formal learning from our schools, our university, with informal learning; the cross-pollination of ideas and what will become a fountain of new entrepreneurship in our community; a tremendous area for us to grow new ideas, new business, new opportunities within the community.” Mr. Lyon acknowledged the “pain” associated with “draw[ing] dollars out of the pocket ... but the investments we make today will pay for themselves a hundred fold ...” He expressed “absolute commitment to this project at this time because I see what the potential is when we can attract the kinds of businesses that ... absolutely can help Carson City be a vibrant economy with a place everybody will like to live and more people will want to say that Carson City is their home.” He suggested there’s no better place for this type of project than the capital city.

Vice Chairperson Hooper entertained additional public comments and, when none were forthcoming, closed public comments.

6. STATUS REPORT ON THE CITY CENTER PROJECT (6:50:54) - Vice Chairperson Hooper introduced this item. Mr. Werner provided an overview of the presentation, and background information on the process. He introduced Carson Nugget President Steve Neighbors.

(6:54:12) Mr. Neighbors advised that the “ultimate purpose of this project is really careers for our youth and economic sustainability and relevance in the future.” He noted the “800 temporary jobs ... [and] the 500 permanent jobs that this is supposed to bring.” He mentioned the intention to “attract the digital media industry and some other industries.” He further mentioned contacts, “during the process, of establishing relationships to bring patents and intellectual property from 248 federal labs to Carson for us to review and see what fits us as a community.” He advised of having agreed “at the end of the 30-year period, ... if the City does pay the modest rent which we will then turn back to the Library Board, that the Foundation will deed, fee-simple, the ... library to the City.” He expressed the opinion that “one of the challenges has been finance tools,” and advised of having worked with partners to bring in finance tools for businesses already in Carson City and new businesses that want to start up. He noted that “overall, this whole downtown project is a key cog to it.”

Mr. Neighbors advised of having “put out a challenge for a developer” that was nearly impossible to meet. He noted that every developer could have stones thrown at them “because they came and did their project but, behind the scenes, whoever was doing the finance or whoever was doing the deal didn’t put something together.” He reviewed the “five key elements that ... made a Herculean challenge to P3 [Development]” to the point that no one else “in the country really would rise to the challenge.” “We said, first, they had to finance 100 percent of it, not just the private, but the public portion as well. Instead of being the typical public / private partnership where the public helped the private, this is a reverse. This is where the private development is helping the public. We then said ... the City won’t sign on for any debt ... so your feasibility study is you’re standing on your own. I then said also, ‘We’re putting you in a spin cycle.’ In any development, everybody has personal agendas or entitlements or fears and they propagate the fears and we’re doing this in an election year so the spin cycle is on hyper spin. And, finally, the project will be bonded with payment and performance bonds. ... We’re going to have some big bond companies behind this to make sure everything is paid and taken care of.” Mr. Neighbors introduced P3 Development representatives.

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(6:58:00) P3 Development CEO Rick Oshinski referenced his presentation at the May 10th committee meeting wherein he emphasized the public / private partnership process as “just that: a process, not a product.” He advised of having been “very much involved in the process” since that time. “We see a light at the end of the tunnel. We’re very close and ... we’re only able to give you a status report today because there are still some unanswered questions from a legal and financial point of view.”

Mr. Oshinski reviewed P3 Development’s responsibilities under the development coordination agreement in conjunction with a PowerPoint presentation. He advised of having been meeting with representatives of the Mae B. Adams Foundation and the City “on no less than a weekly basis and, many times, more than weekly. ... It’s been a very active process and the process involves a lot of people.”

(7:16:18) P3 Development President and City Center Project Manager Mike Courtney presented details of the proposed project in conjunction with a PowerPoint presentation.

Member Kittess looked forward to reviewing the PowerPoint presentation in more detail. Mr. Werner advised that more detailed information will be made available to the public as it becomes available to City staff. In response to a question, Mr. Werner anticipated scheduling another committee meeting within 60 days. In response to a further question, he advised that the development coordination agreement was extended. “At this point, the developer needs to get information from [the City] to come up with a viable plan. We have not been able to provide that so they can’t complete their portion because of a lack of performance on what we’re doing. We’re trying to get that wrapped up now.” Mr. Werner clarified that City representatives are “not just sitting around waiting for things to happen. We’ve all been really working on this to try to come up with what makes sense.” In response to a question, Mr. Courtney advised that sales tax would be tied to the amortization period of the debt. In response to a comment, Mr. Werner advised that lease payments would be made from the general fund “because the money comes into the general fund, but the money’s coming from the sources” indicated in the PowerPoint presentation. In the current redevelopment budget, approximately \$500,000 per year has been identified as “not committed to anything. We could use those on an annual payment. If our sales tax were to rise higher than what we anticipate, then that would reduce payments from other areas.” Member Kittess inquired as to calculations for “increased costs of maintenance for all of the public facilities.” Mr. Werner noted the importance of “getting to ... a viable capital plan.” He advised that Library Director Sara Jones prepared an operational plan approximately six months ago. He further advised of having discussed operations and maintenance with the City’s Facilities Division and the Public Works Department representatives. He acknowledged that the proposed project includes the parking lot adjacent to the 108 East Proctor Street building. In response to a further question, Mr. Werner advised that revenue from the lease payments would be required to be allocated to a charitable organization. “It cannot come back to the City ... because we’re not a charitable organization.”

Member Bonkowski inquired as to the anticipated term of the public leases under a lease / purchase plan. Mr. Courtney advised of having assumed 30 years. In response to a question, Mr. McCarthy advised that the current annual income to the redevelopment fund, for both districts, totals approximately \$2.1 million, which includes debt service and other obligations to the general fund. In response to a further question, Mr. McCarthy advised that no increase in the redevelopment budget is anticipated. In response to a question, Mr. Courtney advised that the proposed parking garage would be free-standing. The entrance and the exit are proposed to be on Robinson Street.

Vice Chairperson Hooper commended the progress from the May 10th committee meeting. Mr. Courtney acknowledged that the office space would be owned and leased by the developer. “It would be privately

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financed and, assuming we're the developer, we would own the building and we would be on the hook for all the leases." Mr. Courtney responded to additional questions of clarification relative to the viability of the proposed project. In response to a further question, he estimated the lease rate "in the \$1.40 range."

Member Rocha inquired as to a decision-making time frame. Mr. Werner suggested, "If we don't have answers by the end of 60 days, it's probably not going to go forward. ... We've got to bring these to a conclusion ..."

Member Lawrence thanked Mr. Oshinski and Mr. Courtney for their presentation, commending them on "taking a very wide range of wants and desires and opinions and ... condensing it down ..." He looked forward to more carefully reviewing the PowerPoint presentation. In response to a question, Mr. Courtney referred to that portion of his presentation relative to the manner in which the leases are structured. "Typically, after the lease is paid for, all of the improvements that were financed would be owned by the entity paying the lease for the public agency." Member Lawrence inquired as to the City retaining ownership to the library land at the end of the 30-year term. "That's been one of the big questions: building a public building facility on land owned by a private party." Mr. Neighbors advised that "at the end of 30 years or whenever you pay off the lease that P3 needs, the Foundation will give fee-simple title to the library for the land underneath it." He provided background information on the perpetual nature of the Foundation "so not to liquidate its assets, but its gain on its investment in the assets to then bring that back to the community of Carson City and its youth. And so here was a challenge of how do we not liquidate our base asset." Mr. Neighbors advised of having conducted extensive research "and we've determined that, to make this simple, we'll just agree that we will give fee-simple deed to the library when they conclude the library lease payments. And in the interim, what money we do get from P3 for the interest on the land, so nobody's paying any principle, but what interest we do get, we'll give back to the Library Board for them to keep the library state-of-the-art going forward." Mr. Neighbors expressed the belief that "libraries, as people understand them today, are not libraries of the future. And digital technology is coming and there's a lot of change and we wanted to get some mechanism for the library to stay state-of-the-art." In response to a further question regarding the plaza, Mr. Neighbors advised "we were going to take whatever monies we got from P3 for the lease and give those back to either the library or the rec department to maintain events on the plaza. So the Foundation is not trying to make money off this deal. We don't want to just give the land to P3. To be honest, I didn't deal with the trustees on the land under the plaza. The intent was, as long as the City wanted to use these, we were going to let them perpetually use it at no principle payment and then whatever interest payments we did get on it, we were going to give back for the care of that element." Mr. Neighbors advised of "one more compounding issue. ... A private foundation or public party, if they donate money, can get better matching funds with the feds. So, if we donate something, we can actually get more leverage out of federal fund grants and so that's something we want to consider too."

Mr. Oshinski explained the next step, if a project is accepted by the Board of Supervisors, is the negotiation of a series of agreements. "All of these kinds of details would be fleshed out in the development agreement." Mr. Oshinski anticipates "they're going to be more like lease-purchase agreements and there'll be more than one and there'll be a whole host of other agreements ... dealing with shared access and easements and things of that nature. It's going to be a complicated deal, but all of those issues would have to be agreed upon and fleshed out." Mr. Oshinski expressed the opinion "that's a wonderful role for this committee ... to help provide guidance for the Board of Supervisors on these types of issues ... because those are going to be things we're all going to need to grapple with in the negotiation process." Mr. Oshinski clarified, "Right now, we haven't committed to any of those things. We're just presenting a concept and an idea. Based upon, historically, what [Mr. Courtney] and I have done in the industry, this

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is a pretty commonly-used tool. But this is different because this isn't a case where the municipality is leasing land to the developer. We build and lease back. This is an interesting deal because it's got a private party involved that happens to be a 501(c)(3). There's a lot of interesting little sidebars going on here which is partly responsible for the delay. There's a lot that the lawyers have to deal with that they've never really seen before. ... There's a lot of uncertainty and even people in the audience have pointed certain things out and they're right, but we have to hash all of those details out. Step one is deciding, can you build it and is the community, through its representatives, willing to build it."

(8:04:27) In response to a question, Mr. Courtney advised the parking would be free. Member Aldean discussed the importance of "bringing a little more clarity to the issue." She noted the library will not function without adequate parking, and suggested the plaza will become an integral part of "what we have to offer to the public as part of our investment." She suggested the need for "some sort of assurance that those facilities will be available to the public in perpetuity," and requested the parties to consider these elements in their deliberations.

In reference to Mr. Oshinski's comments, Mr. Werner provided background information on the resolution forming this committee. "... one of the charges was to assist in the development as it relates to the disposition of the development agreement. All of these items, agreements, discussions would come back to this committee ..." Vice Chairperson Hooper entertained additional committee member questions or comments; however, none were forthcoming.

7. NON-ACTION ITEMS:

INTERNAL COMMUNICATIONS AND ADMINISTRATIVE MATTERS - None.

CORRESPONDENCE TO THE COMMITTEE - None.

STATUS REPORTS AND COMMENTS FROM COMMITTEE MEMBERS - None.

STAFF COMMENTS AND STATUS REPORT - None.

8. ACTION TO ADJOURN (8:06:32) - Member Aldean moved to adjourn the meeting at 8:06 p.m. Member Williamson seconded the motion. Motion carried 11-0.

The Minutes of the September 27, 2010 Carson Nugget Development Advisory Committee meeting are so approved this 22nd day of November, 2010.

SCOTT DOCKERY, Chair