

**Transcript of Douglas County Board of Commissioner's Meeting 12/21/06
Reconvened in Minden at 5:30 pm to hear Ordinance 2006R-107
Complete Comments of Dan Holler, Jay Timon and all Commissioners
Excerpts from Jack Vandien and Carl Malkmus, Douglas County Residents**

Dan Holler: Thank you Mr. uh I guess vice-chairman. Uh, the uh item before you has a staff report with a lot of detail in it. The uh copy of the proposed Owner's Participation Agreement, and then a financial uh analysis that was done by Meridian Business Associates. as part of your packets. I won't go over a lot of the details. I'm going to assume that you've had an opportunity to look at that and read that. Uh, for folks in the audience who does not have a copy of the packets, some more are being made and they'll be up here shortly. Um. and we'll hand those out. Uh. I did want to kind of give an overview of where we're at in the proposal that is before us. Uh, a little bit of background, the report does outline kind of the purpose, goals, and reasons for the creation of the redevelopment agency. Uh it goes back to actually 1998 when we adopted the redevelopment agency plan. Uh, dealt with a lot of different issues uh in the north county area as well as other parts of the county that were incorporated into that plan dealing with uh assembly of land. Dealt with uh infrastructure needs. Dealt with strengthening the economic base of the redevelopment area in the county as a whole. Uh, it had very specific goals that were defined in there in terms of diversifying the commercial properties in north Douglas County. It had again the idea of uh how do we promote and strengthen the economic base of Douglas County both the tax base and the economic base. Uh, with the plan was amended a couple years ago to uh add in property and that's part of the property that is before us this evening. Again uh defining uh particular difficulties with the property in terms of development with the topography, the lot shape, ownership issues, uh lack of infrastructure and then again that desire to expand the county's uh economic and tax base. The redevelopment agency has been used in the past to do a number of different things in addressing those. It has been used for infrastructure work. It's been used for some school rehab work in uh Jack's Valley School water rights, uh, water easements, uh it's been used as a land write-down with uh the Carson Valley Plaza and continues to uh look at those different areas as it moves forward. The proposal before you this evening is very similar to what was done with Carson Valley uh Plaza couple uh years ago. The idea there is that investing within a small portion of a development serving kind of as a catalyst. There's serving as that component that allows it to move forward for larger development. And the same uh key elements are in this OPA as was there as that there is no up-front costs to the Redevelopment Agency. And that agreement, uh a \$3 million commitment was made. The uh revenues are generated over time from the growth of the tax increment revenues coming to the Redevelopment Agency. Uh, it's not money that's sitting in the bank today and readily available. Uh, it requires specific uh performances to be met. In that case, uh 12,000 square feet to be built and 50% of it to be occupied. The same type of proposal was put forward uh with AIG Baker on a similar property that we're looking at uh again this evening that had a uh proposed \$11 million uh write-down. And there's been the comments back and forth again uh regarding uh what happened to the \$11 million, and I think it's important to clarify that uh it was not paid to AIG. Uh, it was never really generated, cause it was based on the potential growth in the value of the redevelopment agency. So it's not like there is \$11 million or in the case this evening \$24.7 million sitting in a bank account that you would write a check for. It is tied to the growth of revenue to the agency. And the way it's structured on that is to allow that growth over time. Uh, funding for the agency comes out of that property tax revenue growth. Uh, this year, for example, we're looking at about a 7% growth in uh assessed valuation, the agency going from about \$70 million to \$75 million in assessed value. The impact there is for the property tax revenue that's generated just within the boundaries of the agency come to the agency. The other uh revenues around the county etc the other agencies aren't impacted unless you're within

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that boundary. The revenue is there from that added value again as you see the development go forward. And the real the real crux of the O the Op, the Owner's Participation Agreement really is to set that in motion. We do tie it to a specific parcel. Uh uh approximately 4.7 acres in size. It's called out in the OPA. It's tied to a specific parcel; you can measure it there. You can uh see what it's tied to. It has the requirement for development to commence by December, 2009. Uh, the earliest payment date provided the that uh facility would be built, and it does only require a 30,000 square foot to be constructed with 25,000 of it to be uh occupied. The uh goal again is the same as we did across the street is that that would be a catalyst way to have additional development happen around that site with that site. Uh, and we believe uh that would be the same case here as we experienced with the Carson Valley Plaza. The again the payment on that when you look at the uh payment, the \$24.7 million again, isn't a one-time payment up front. It extends over a long period of time. Again the earliest it would start is June, 2009. It would continue for another 16 years. The majority of it being paid in the latter part of the process. I think 57% of those revenues would be paid the last 8 years. And so we've tried to build it in so we have time to grow the value of the agency accordingly to be able to do that. The uh so during that time frame the the concern that comes up and the risk that the county has, and the redevelopment agency has would be is what happens if the 30,000 square feet gets built, they lease 25, and nothing else happens around it. Uh that is a legitimate question, legitimate risk that the agency would be undertaking. Uh, the for that risk to be permanent you would have to have seen that nothing happens around it for about a 20 year period, now through '23 '24, uh a 18 year period going forward which uh we don't anticipate as that being realistic, if nothing happening there and seeing the growth in terms of the agency. Again utilizing the investment also that would go in there would add value to the land as well with the uh other improvements that would be required to just build the 30,000 square foot facility they have to meet all the community development standards, the county standards for uh development. The uh site selection to uh uh put this project together was done on purpose. We looked at the two parcels there that have separate ownership that allows us to begin to build uh consolidation of ownership. To do some of the work there requires participation with the surrounding property owner. The uh site does have a uh topo topography challenge, and it kind of sits in a hole. You're going to have to do a substantial amount of fill for it, and it would also require uh very substantial off site improvements, which would be the obligation again of the developer uh to that site. Did I lose you, Doug? The uh. And and so we take a look at that on purpose to make it uh er so they would have to work through that. (Interrupted by Vice-Chairman Doug Johnson to reconnect Commissioner Bauschke by telephone.) Uh, before I proceed, I don't know if people are aware of why Jim, Mr. Bauschke has had some medical problems. Therefore, he is joining us by phone. Uh then again uh the crux of the OPA tying to that uh, you know, stand-alone parcels, the two on there with separate ownership from the larger one around them. Uh, our goal on that is to force some of the land assembly issues. Uh, it has its own development challenges that requires a substantial amount of investment, which we believe will not be undertaken unless you have a larger overall project. Also, the requirement for fairly substantial off-site services. Uh, roads, access, water and sewer. (Interrupted again by Commissioner Johnson to confirm connection with Commissioner Bauschke.) The uh other type of work that we took a look at in putting this together then was the financial analysis, both of the redevelopment agency and then the long term benefit to the county as well. The uh financial analysis at the agency side is really the question is when you enter into the obligation to have the rebate over a period

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of time of uh dollars do you have the projected income to come to make those requirements and to meet that obligation? Uh, should note that this is an obligation of the Redevelopment Agency. It's not an obligation of Douglas County. I think that's important to keep in mind that you are sitting as that agency component with the agreement going forward ultimately as the Redevelopment Agency, uh, which is the obligation of the write-down. The items that we took a look at was to take a look at what we thought would happen uh from a again uh, keep using the term catalyst. I think it's appropriate as we have seen in the other uh project of having this type of a commitment, and really seeing a uh larger project constructed than what uh is required under the OPA. But it definitely works toward uh getting that security in place. We did walk through, and you have an attachment in your staff report that takes a look at uh the debt structure currently between Douglas County and the Redevelopment Agency for past projects. Things that have been completed. Things that have been done uh with other projects, uh, that's an ongoing obligation of the district as the primary one as we looked at the Redevelopment Agency. Secondly, then, is also taking a look at our current requirement with Carson Valley uh LLC, the uh Carson Valley Plaza, making sure that that obligation can be met. And then we took a look at the Riverwood uh, proposal for the 24.7. Could we meet that obligation looking at our uh operational cost of the agency as well as what our current income and what the projected income might be from the Riverwood project. Uh given that analysis, uh we assumed that the Riverwood income as projected on the property tax base would only come in at 50%, that there would be something uh that would happen along the line, maybe one of the stores wouldn't get built. You'd have a less uh smaller project, for whatever reason, economics. Uh, so as to take a very conservative approach and not require a 100% build-out, and could we still make that a payment. At the 50% level, uh, it actually can be made. You'd meet all the other obligations of that. You can also drop it down to a 15% level and still uh, uh, be achievable as well. Uh, the question was raised if you only build 30,000 square feet and nothing else, I guess you assume that nothing gets built for the full 20 years, uh, could you meet the obligation under that, and I think the answer would be yes, but you would have to, probably would have to restructure the debt uh payment back with the uh County. So that would be required at that point. Uh worse case, 30,000 square feet built, nothing else happens, uh to uh offset the infrastructure or on the other properties. The other side of that as we took a very conservative approach again on the income just at the agency as it's currently uh 3% per year, as I mentioned earlier based on the current numbers that we're looking at for preparing budgets. It went up about 7%. Uh so that's been a relatively uh conservative approach in that nature. The other side of that was to look at, and it's really not part of the OPA so much with the broader development, but the goal of the investment is very similar to what the uh agency did with the Home Depot and Target center, very similar with the Carson Valley Plaza center, and at a lesser dollar amount, similar with the Wal-Mart, uh center in terms of if we make these investments will we see a return on that investment. Uh, so kind of that measure of success is do we see the other property surrounding the project that we're targeting developed. Uh in the past we've seen that. Uh, if the MBA analysis is correct, and you look at those types of numbers, you do see that net revenue, that net increase uh, coming into uh Douglas County from sales tax and other fees and charges and things that uh come in that way as well as the property tax that goes to the Redevelopment Agency. If you look just the general fund, and then our uh room tax uh supported departments from sales tax, you would have about a ten year payback on the uh sales tax dollars coming in offsetting what you're investing in the agency. So I think those are some of the

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things we take a look at and say and does, does the deal make sense. Is there a uh a rate of return on that uh element. And then uh, you know, is it a reasonable investment in terms of the county as we begin to look at our economic strategy uh, now and in the future. A few years ago we took a very aggressive approach, I should say about 6 years ago, in focusing on retail sales, knowing that sales tax is going to be a primary uh source of revenue for the county, and other agencies. Frankly, sales tax is shared by all, uh, the majority of the other taxing agencies in the county. Uh to do that, we did decide to focus in North Douglas County, uh, as as a focused area. We have also uh done work to focus on our manufacturing side with uh, with the airport area. We have uh focused on tourism and those areas with work with uh things that the chambers and the uh visitor authorities. Uh, each of those, uh, having a different role in the economic uh future of Douglas County. And so took a look at the opportunities that came before us on this one. Did it make sense to uh take a look at this level of investment. Uh, it it is a, when you look at the number on the front end, 24.7 million is a fairly substantial amount of money. It is a substantial uh investment. Uh, and the question becomes is it a reasonable investment that will be able to be paid back without uh a negative impact to the agency or the county over the period of time. Is it a reasonable investment to generate the other uh projected revenues uh that we see coming from retail development, and I think uh ultimately it's a business decision by the Redevelopment Agency to make that uh call from uh the analysis at the staff level, and uh based on the prior experience we've had. Uh. Our recommendation is to move forward with the OPA, the investment. Uh. and again if they uh flounder, if they do not move forward, the Agency pays nothing up front, and uh if they don't uh uh perform at the level required, there is no obligation. Just as we had in the uh AIG Baker deal. That term, the agreement terminates. They receive nothing, and uh we are not under any obligation for any payments, uh with that level. Uh, with that I had some of the detail information to walk through, but in the sense of time, let me uh open it up for questions by the Agency board. If you have uh particularly in the staff report, if some of the information that's being presented uh, I'd be glad to try to address your question.

Jay Timon: Good afternoon. My name is Jay Timon, and I appreciate the opportunity to speak with you this afternoon. I am with uh Riverwood Redevelopment LLC. Riverwood Redevelopment is a uh affiliated company of Riverwood Properties, which is um wholly owned by my family and me. Um, as you know I was formerly a national developer with AIG Baker during which time I developed four major shopping centers, totalling approximately 1.1 million square feet in three states. Locally, my projects have included the Carson Valley Plaza in North Douglas County and Sparks Crossing in Sparks, Nevada. My responsibilities for these projectes included site acquisition, entitlements, uh anchor leasing, supervision, uh, due diligence, and monitoring the construction process. My family's larger scale development projects, uh, are primarily located in South uh South Florida, and they have included a 300 acre residential development, two industrial parks totalling 135 acres, and a 20 acre retail project. I am here to answer your questions. However, I would like to try and address some of the questions I've been posed over the last few days. Dan actually started with the first one, and that is what happened to the AIG deal and the \$11 millions of redevelopment money. The bottom line is that the Redevelopment Agency did not pay and will not pay AIG a penny of that money. They did not perform, and the agreement with Douglas County Redevelopment Agency was terminated. On the other hand, AIG spent between a million and two million dollars in pursuit of that project with it and walked away with nothing. Despite our best efforts in the expenditure of thousands of dollars by AIG, ultimately

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the expected return was not adequate to per, for the perceived risk of the of the development. Even with the commitment by the Redevelopment Agency of \$11 million over 15 years. The good news for the Redevelopment Agency was that the cost was limited to staff time, and that AIG spent hundreds of thousands of dollars fully designing the sanitary sewer lines, as well as highway improvements, the high, er, uh, improvements, public road roadway improvements to Highway 395, Topsy and Sunridge. However, this unfortunately, unfortunate cir, uh, circumstances highlights the value of the OPA approach of rebating future tax revenues if the deal moves forward and expending no money if it doesn't. How does this compare to what's done in other areas in Northern Nevada or the Western United States? Relatively speaking, I believe Douglas County is taking a more conservative approach to stimulating its economy in dealing with redevelopment than most of the communities that I have dealt with. In most cases where municipalities want to see redevelopment and want to stimulate economic growth, they are proactively installing infrastructure, assembling land and curing physical challenges. This happens because developers and lenders are often fearful of the improve, of these improvements not being approved or completed in a timely and cost-effective manner. While other areas such as the City of Sparks' Victoria Square initiative have involved commitments of up-front money to fund infrastructure and streetscape, uh projects to entice uh redevelopment and renewal, Douglas County Douglas County's approach through this OPA agreement is committing no current dollars, but offers a rebate of a portion of the property tax increment created by the development within the redevelopment area. If nothing happens, no money is rebated. However, if it is successful as a catalyst, the county and other agencies stand to gain millions of dollars in new sales tax uh revenue to fund existing and new programs, including a senior center and police, whatever you might think is appropriate. And at the end of the agency life, the county and those agencies stand to gain million of dollars in in uh to the budget. So what are other areas doing? The City of Reno has approved a \$25 million infrastructure pro uh pro uh package to stimulate retail growth at the Mount Rose and Highway 395 corridor. They also approved a \$54 million incentive package for the Boomtown area. The City of Sparks approved a series of incentives totaling \$140, or over \$140 million for the Sparks Marina project. And as mentioned earlier, the City of Sparks also invested million of dollars up-front in infrastructure and streetscape at the Victoria Square uh uh area. Carson City. The city has used current funds up-front to buy land and offer it for free in exchange for the promise of a future auto dealership. The city has made promises and commitments of sales tax rebates. The city has spent up-front money installing infrastructure to pursue uh box retailers to locate in Carson City. I am not criticizing these efforts. I am just pointing out that there are many muni many municipalities using equal or more aggressive approaches. If we build another retail center, won't it just split up the same retail dollars? I don't believe this statement is true. Yes, some stores may see a slight drop in sales, and the report from Meridian Advisors provides for that possibility. However, retail research, and my own experience tells me that the overall area should see a substantial increase in total sales. By pro by providing regional shoppers with a wider offering of retail experience, including comparison shopping, expanded options for dining, and new offerings, the regional appeal of this area will be greatly enhanced. When is \$24.7 million really about 1.8 million? When you consider the timing of the OPA payments, the net present value of the cash flows discounted at 10% is approximately 1 \$8.1 million in today. The payments as they have mentioned will not start until at least June of 2009, and more than half of the payments, or more than half the amount of the OPA payments is deferred at least 12 years to

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12 thou, to 2019 and 2024. Are you going to build this project and sell it? With the terms of the OPA requiring us to maintain a certain level of occu occupancy or risk deferring or losing the payment, I fully expect to own this parcel and retail space throughout the duration of the agreement. If you sell this property and make a lot of money, will you give back uh all or a portion of the OPA money? Under no circumstances will we consider such a provision in this or any other agreement. It is a deal killer for us. Most importantly and practically speaking, such a provision would render the OPA agreement worthless with respect to its value in negotiating with, for such things as tenant commitments and financing. It would be similar to selling a person a stock and then requiring the person to share the future profits if you were, if the stock were to be sold in the future at a higher-than-anti anticipated value. And finally I would uh I would doubt that you would agree to increase the rebate or reimburse up-front costs should the project not perform at the projected levels. What happens without the OPA or similar incentives? What will it cost the county or other agencies? I predict that this parcel and the surrounding larger parcels would sit as is for an indefinite period of time. To my knowledge there are no developers actively looking uh to develop uh retail in the redevelopment area. The bottom line is that for each year, the east side of Highway 395, the completion of Highway 395 is delayed, the county general funds and other agencies lose a surplus of revenues, and that's net of cost of providing services, of at least \$2 million a year. And an additional risk is that the potential retailers will locate elsewhere in the region in a at a site that would be probably easier to develop, or go into such as the K-Mart in North uh Carson City, Lompa Ranch, Fuji Park area, or the new Wal-Mart area in north Carson City. If this were to happen, of course, the annual revenues would be lost indefinitely. **Is there any guarantee that you will not just deliver uh develop 30,000 square feet and walk away? While this is a perceived risk, the return on the development of a stand-alone project is marginal, at best.** My estimate of the cost of develop just the site could exceed \$14 million, more than the net present value of the agency contribution. Therefore, to really benefit from this agreement, additional property will need to be developed in order to make the offsites more economical, and additional retail space is needed to make a more reasonable rate of return on the overall required investment. The purpose of the OPA is to serve as a catalyst for other development, as well as the proposed site. I believe this will be uh this will be successful in doing just that. Who are your tenants? I've had discussions with a number of large and mid-size retailers and have been approached by a number of tenants interested in out-parcels and shop space. **However, at this moment we have no signed agreements.** So I am hesitant to provide any names at this point in the process. Also, assumptions change constantly, favorably and unfavorably, in the retail market. So a store that may be hot to go today may not be tomorrow. There is never enough time or certain, er money to gain certainty. Some may say it's like herding cats. That's why I'm asked questions like what are you going to build, or who are your tenants, I'm hesitant to try and answer because I want people to be able to rely on what I say. And because of the fluid nature of our business, almost any answer I give could be instantly obsolete. **Until I have a lease in hand, uh nothing is certain.** Given this uncertainty in the marketplace, the structure of the OPA makes more sense for you as it doesn't commit, does not commit the Redevelopment Agency to do anything unless I can perform. We constantly update our, our assumptions, try to provide for surprises, and do our best to manage risk. It is because of the fluid nature of the business that sometime projects are very successful, but more often, most often, developers will spend thousands or millions of dollars

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in pre-development costs and have to walk away. Obviously, I believe in this market and that there are a number of retailers that are interested in locating here. Otherwise, I wouldn't be here this evening. And finally you and I are asked why is any incentive from the Redevelopment Agency necessary for this development? I believe your staff report does a good job of outlining a number of challenges with development in this area. Inadequate streets, utilities, prop, uh property of irregular size and form and topography. And, of course, it touches on a number of key benefits to uh to strengthen the economic base of the county, to add to the county's tax base, and to expand employment and uh entrepreneurial opportunities. The investment you're being asked to be made will serve as a catalyst for expand, for the expanded development. Without your commitment, the risk in developing the single site or the bigger area are such that few, if any, national or regional developers would take them. Well the site is a great location, the up-front investment needed to make the site attractive for a retail center is substantial. I believe this is the reason the property was placed into redevelopment. That is, it was planned to take a public/private partnership to achieve a successful and coordinated regional retail center. I believe the OPA you're being asked to approve today will be the catalyst necessary for us to proceed with a successful development. I thank you for giving me the time to speak, and be glad to try and answer any questions you have.

David Brady: In the spirit of full disclosure, uh, you've shared, uh, quite a number of unknowns, the first of which is, uh, the financial where-with-all of your LLC. Uh, this is something that I I think that in my business it is important to know your customer, and we know nothing about you as it relates to your capitalization, your financial where-with-all, and your ability to perform, recognizing that you indicated that there's \$14 million in up-front costs.

Jay Timon: So the question is do we have the where-with-all?

David Brady: Well, do you have evidence? Do you have any financial statements?

Jay Timon: Well, I I mentioned in my, in the very first part, the projects that we've undertaken in Florida, um, that were I would, you know, I would have to look at the numbers, but I'd say its commens, somewhat commensurate to uh, to this. Certainly in size and scope. I mean this is, would be a relatively small project for us, but the bottom line is if I don't perform, you don't pay. And I will make this further commitment which AIG didn't. If you pass this, I will buy the property.

David Brady: So the answer is no.

Jay Timon: The answer is no, what?

David Brady: You have no financials to provide to this board in terms of your financial strength and stability in performing?

Jay Timon: That is correct.

Doug Johnson: Jay, before you go, um you're you're going to obviously be coming back, um can you address the issue of I guess you'd say Peter paying Paul, you know you have the sales tax revenue on one side of the highway, and do you expect this just to reduce that sales tax, you know, increase the sales tax on the opposite side?

Jay Timon: Uh, no, as it, you know, um, in fact, uh, I would, as I as I mentioned, I think it would, I mean my experience, the research I've done, you know, for for my, from an educational standpoint as well as my experiences that um, you know, you gain a critical, the, the the more critical mass you have of retail, the more viable that that project or that area is as a regional draw. In other words, uh, um in a, in, someone related the car, the car business to me that, you know, in their, in that case they'd rather six dealerships kind of bundled together because, yeah, they all sell cars. People will, if they know

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there is a a critical mass there, or the larger the critical mass, um, they'll draw more people from further away.

(Skip to excerpt to Jack Vandien's comments.)

Jack Vandien: I would like to ask uh who uh, has the district attorney's office reviewed this, or does the commisison have, or the county have, or the agency have, I should say, uh a contract law specialist, who has reviewed and approved the text of this agreement?

Dan Holler: It's gone through the review in the da's office with uh, Tom Perkins, deputy district attorney. Uh, also the applicant has had their attorneys review it, and uh the original document was drafted in uh, primarily through, I've misplaced the gentleman's name who was hired originally with the redevelopment agency that does a lot of redevelopment, related type work, uh, out of California. Scott, if you recall.

Scott Doyle: Wish you would have asked me before the meeting so I could have pulled that name, but we have a California counsel that does advise and has advised the county on redevelopment matters.

Jack Vandien: I have a question on that subject that I get to in a few minutes. It seems to me that there are some definitions that are not clear. I second Mr. Brady's comments uh about we should, the public should have, the county should have independent verification of the participant's background and uh the financial ability. Um, there's been some discussion about exactly what is contingent upon this. What triggers the payment of the \$24.7 million? Uh specifically, I think I have a disagreement with Commissioner Johnson. Um, it appears to me in reading this agreement that this agreement stip uh pertains exclusively to 4.67 acres, having taxable value of \$140,000, I checked that, and a 30,000 square foot building to be constructed. Uh, and as I understand it, the 4.67 acres being considered could be exchanged for similar property in that sector. Uh, as I read the agreement, that **paragraph 201 does not obligate participant to do any more than minimal site development, including infrastructure to service that particular building.** Somebody mentioned to me that understood that in this agreement, he was committing to bringing in the infrastructure, water, sewer, etc. uh that would be sufficient to supply, to service the entire 600,000 square feet of potential commercial space, and as I read it, that is not the case. He can fulfill this agreement as written by bringing in only what he needs to serve this 30,000 square foot building, wherever it gets put, whether it's on these 4.67 acres or those acres move someplace else. The text states he may include stone based paving, curbing and landscaping. May. There is no obligation for him to do any more landscaping than he wants to do to make his building serviceable. If that is incorrect, I hope somebody will correct me. Um, **as I understand it also, there is currently water and sewer uh along Sunridge Road, all the way to 395. Is that correct?.**

Dan Holler: There is a sewer line that crosses uh on Sunridge, the north, and there is a water line extends to where the fire station would be, is proposed to be constructed on Sunridge Road. It extends over to the North Valley plant.

Jack Vandien: Where I walk my dog in the desert?

Dan Holler: It extends over to the North Valley plant.

Jack Vandien: Yup. All the way to 395, right?

Dan Holler: From there over, right.

Mitch Dion: From 395.

Dan Holler: Correct.

Jack Vandien: Oh, from 395, down the other way. All of the Meridian financial analysis, as somebody else has pointed out pertains to the 100 acres being fully

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developed to 600,000 square feet of retail space being fully developed with the 75% of all of the space producing taxable sales, which would not be true if there is a movie theater or offices or something else other than commercial space in there. So that 75% is not, as I see it, conservative. No where in the project presented to the commissioners does it show the participant's cost to develop only the 4.67 acres and 30,000 square foot building, which I have estimated to be as follows: The current land has taxable value of \$140,000. So let's say he has land. At \$100 a square foot, 30,000 square foot building costing \$3 million to build the building might cost him another million for site development, and it was in somewhere in Mr. Timon's uh uh comments uh, he had indicated, written comments, he had indicated that to reroute the gas and fiber optic cost another \$2 million. So that's \$7 million. As Mr. Slade points out, uh discounting the present value at 9% is a little ridiculous in this particular day and age. 5 to 6% would be a lot uh uh uh more accurate. And Mr. Timon mentioned that the present value might be only \$7 to \$8 million, I believe, I think somewhere in the package, uh that's being presented here tonight it mentions the present value being \$10 million at 9%. At 5 or 6%, it's probably \$15 million or more. Uh, so it, so if he, if the participant develops the property, builds the 30,000 square foot building with all within the time. . . Well, first of all, uh if he obtains, let's see, if he applies for a development permit, I believe it was, um by the end of 2008, he can keep it open for another year, and the whole project would remain open as long as, without being developed, as long as he has um acquired that permit. And secondly, um, when he builds the 30,000 square foot building, and he is issued a Certificate of Occupancy, um, let's say I believe at that point, he has the right to sell or transfer all of the rights to the project to somebody else. And uh, um, when he leases 25,000 square feet, five-sixths of the floor space, uh to somebody, uh for some commercial purpose, he triggers the \$24.7 million stream of payments. If that's wrong, I would like to be corrected. Uh, he does not, as I understand it, uh he has to use that property for purposes defined in the redevelopment plan. That's part of this agreement, and the redevelopment plan I presume covers practically any kind of commercial development. Is there anywhere in this agreement an obligation on his part to lease 25,000 square feet for retail purposes? That's a question.

Dan Holler: No, it's tied to what's allowed in the general commercial zoning. Redevelopment plan requires you to be consistent with the county zoning and master plan. So it's general commercial.

Jack Vandien: General commercial.

Dan Holler: General commercial. So the various items that would be allowed under county code would be. . .

Jack Vandien: So he could he could reasonably lease the space to himself, or to another one of his companies, or some related company for offices or some non-retail business, and by doing so and maintaining that 25,000 square foot lease on through the period defined in the um uh, the the paragraph 208, no, 408, forget it. Uh, uh, anyway uh, uh, he would then qualify to receive the \$24.7 million of payments. And that's the way it could stay through the entire life of this agreement. Is that not correct?

Dan Holler: Correct. If all of the standards are met, as I mentioned at the beginning,

Jack Vandien: If all what?

Dan Holler: If if, if all the requirements are met. Yes.

Jack Vandien: So he could lease that for any purpose,

Dan Holler: What?

Jack Vandien: Any commercial purpose.

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Dan Holler: Yeah, as required by county code. That's correct.

Jack Vandien: Right. So it would not have to be retail.

Dan Holler: Correct.

Jack Vandien: So I rest my case. I wanted to mention, too, what benefit to the county taxpayers, is it, this has already been mentioned by others, if all 600,000 square feet are leased and sales tax and property tax benefits at about \$45 million for each is achieved, what we have here is a interesting picture of of a adjacent counties, or nearby counties competing with each other with taxpayer's funds seeing who can out do the other and spend taxpayer funds to grab the commercial business into their county. All the taxpayers of all the counties are losing. That kind of a competition. Do we really have economic problems in this county, requiring, demanding that we we uh we uh bring in this additional um economic development, creating this additional sales tax, property tax, uh. Will the growth do what growth has been doing up until now. Uh, Growth has not been paying for itself because this commission, um authorized, um voted to put on the ballot last year three additional, three tax increases. Before that uh they tried, they wanted to increase the utility tax, and as I uh uh and in all cases the county, the voting public has weighed in heavily against paying more to subsidize growth. Uh, yet nowhere in here in any of the financial analysis do I get the picture that growth, that all necessary county services are uh the growth of those demanded by population increases and all of the other uh um um problems uh that might be related to maintaining this kind of commercial development uh could all be done based upon the income that's in here without going back to the voters and saying the sheriff's department can't keep up again, can't build a community center, can't provide a senior center. . . .

(Skip to excerpts of Carl Malkmus's comments.)

Carl Malkmus: It will be time to wake up when I finish, I guess. Carl Malkmus. At the beginning of the meeting, Mr. Johnson, you asked that you be, and other members, that you be treated with respect. We also feel that. I want to thank you for suggesting that. However, the longer I sit here and listen, the more difficult that becomes. I am not sure because of the lack of questions by the commisssoners to Mr. Holler, if in fact what you have is what the public has. Have the rest of you asked questions in writing similar to, apparently you've claimed authorship to some that have been published. Is that correct, Mr.

Johnson?

Doug Johnson: Yes, and various.

Carl Malkmus: Have the rest of you submitted those to Mr. Holler, and do we have a copy of those? Mr. Kite?

Kelly Kite: No, I have not.

Carl Malkmus: Were there verbal questions relative to the economic feasibility of this to Mr. Holler?

Kelly Kite: I'm sorry. ?

Carl Malkmus: Have you asked other than in writing, questions to Mr. Holler regarding. . .

Doug Johnson: Sir, we will, we will have a discussion immediately following public comment, and I am sure that there will be a few more questions coming out, and I guarantee you that a lot of questions have been asked, and I, you know, I am sure that I can dig up my email and a few other emails and show you a lot of questions.

Carl Malkmus: Let me get to the point of why I am asking the question. I'm amazed that the public has not seen the questions in public asked because of the arrogance of the report submitted to you. Now, why would I say that? I have a

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degree in finance. I spent some years as a bank examiner. I am retired very financially because I built and developed. So perhaps I have an advantage over you in what to ask. . . .

(Skip to Jay Timon's comments.)

Jay Timon: Jay Timon, with Riverwood Redelopment. Just a couple, I mean there is obviously a number of issues brought up, but I want to just touch on a couple that uh I think are fairly important. First of all, I think there's some, there is some confusion with respect to when we talk about, you know, why wasn't, why weren't financial statements provided. Well, first of all we're a private company. We're not a public company, but more importantly we're, keep in mind that we are talking about a, our purchasing a 4.67 acre property, and I think there is confusion between this and a more, and the larger project, which, yes, this company is solely owned by my self and my family. However, a larger project, and, you know, and I'm saying this cause, although it's logical to me, and I thought it was kind of intuitive, but a larger project does not necessitate the same ownership, or the same capital structure, meaning that I could do a joint venture with other people, or so on. And those are in the works, those discussions are in the works, but it's not relevant to this particular thing because, and I, there was some articles with respect to the fact that, well, this is Michael Hohl's property and this is Dink Cryer's property, and it wasn't. You know, so I just want to just clarify who you are dealing with on this particular thing right now, and with respect to our ability, you know, it's irrelevant, in my opinion, because if, you know, if I don't buy the property, and if I don't do something, it's, you know okay, shameing on me, and you know, you don't have to pay me a dime, and I've dropped a couple of hundred thousand dollars in in the last year working on this thing. Um, and our, you know, as I said, I I guess, our commitment, you know, as far as the thing I feel it's fairly important is um is our commitment to buy the property. You know, before with AIG, I did not, oh, yes, uh when I did testify um AIG has plenty of dough and they would be in the position to close on the property at any time. You know, because they have the capital resources, but they are not stupid, and they are only going to do a deal that they think is right, and because they don't do things like joint ventures that eliminates one of their tools, for instance. Um AIG Baker is actually a private company. It's AIG Global Real Estate, which is a subsidiary of AIG is their partner. And as far as I know AIG Baker is still very successful, and and uh doing several, quite a number of projects. So those are just, you know, there, I know there's a bunch of other comments, but I wanted particularly with respect to the capital structure because I think that's very legitimate question, and, you know, there was quite a few comments about why no financial position, you know, financial statements, and I, I hope I've addressed that. And I'm happy to to continue or answer any questions, other questions you might have.

Doug Johnson: Are there any other questions from the commissioners at this time?

Kelly Kite: Can we take a break?

Doug Johnson: Yeah, no. Not until were done. You know, I'm going to go ahead and close public comment at this time, and I'd like to, you know, I think I'll throw this over to Dan Holler and have him address that there has been numerous questions and numerous things. I'm sure you were taking notes. Maybe you can address some of them at this point.

Dan Holler: Yes, some of those, again when you talk about the financial analysis, again, the. Mr Kite does have to.

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Doug Johnson: Ahem. Just keep going. Yeah, he'll be back.

Dan Holler: Uh, as I Jay mentioned they are a private company. We've had those uh discussions regarding that, and whether or not that information is uh publicly available, and as a private company they have the option not to uh disclose that. I've also had discussions with Michael Hohl regarding the Auto, Carson Auto Mall LLC. Uh. They are in discussions as a joint venture, on the larger project. I think they have the where-with-all to be able to do that. However, they are indication also, though, is if this does not move forward at this level, then again they are not mall developers. That's not their core skill. They are car dealers. The other side is looking at uh, looking at some of notes here real quick. The other side that as was mentioned in terms of, the financial side, it is upon the developer to perform. Uh, It would be different if we were going to build uh you know, \$10 million worth of infrastructure in the hopes of landing a retail store. At that point we would be the one wanting the letter of intent. We'd be the one wanting the uh, lease in hand etc. if we were going to put the dollars on the front end. Uh, it's structured on purpose where the county does not have that risk. We are not the developer. We're not the ones out uh trying to uh bring in the tenants. Have we had discussions with brokers on levels of interest of retail stores in North Douglas County? Yes, is that interest there? Yes, uh, in terms of uh stores looking at this area. Uh some of the same stores are shopping Carson City. Uh looking at sites. Uh, they have their process that they go through. Uh, they actually, some of the uh, uh financial analysis that has been asked for, the retail analysis that they have been asked about. Uh, they end up doing that exactly. When we worked with actually Costco, that ended up on Carson City, they did the exact, I'm not sure if they used Claritas, but the same purpose of do we have 150,000 people in our trade area with x amount of income, and go through that process. As we talk to other department stores or mid-size box stores. They do that same analysis. They would not be interested in the area if their own analysis has not shown that economic uh component's there in terms of the regional draw. The analysis I know done by Target and Home Depot before they came to this region also looked at Dayton, Carson City, Douglas County, South Lake Tahoe, and I believe the Costco one went all the way to Bridgeport. So they bring in that market analysis, and frankly know the market segment much better than we do in terms of being able to do that. The fact that they have the interest in saying yes, if the deal is there. We like the synergy of that center and have a strong interest in moving there. Uh uh I think that's a positive step in terms of that. If they choose not to and they turn back and say we're not coming to Douglas County uh the development is not able to go forward. Again, we're not putting dollars on the front-end to attract them. Uh, from that perspective, you're not putting the dollars out. The uh analysis did take a look at uh a lot of discussion over the 600,000 square feet. Uh we know that's an aggressive plan overall. The analysis in the staff report made the assumption from the redevelopment agency side that only 50% of that builds out and are we, can we adequately maintain the effectiveness of the agency and maintain the payments. The answer to that is yes. Uh, worse side case we took a look at and do that analysis, if only 15% of the revenues were received, could the agency still function as the redevelopment agency. And again the answer to that was yes. So if you have a substantial uh, you know, less than the 600,000 square feet built out, can it still be a very viable project as it relates to the redevelopment agency, the answer is yes. And even at half of that I think you still have a very substantial sales tax uh capability getting back into the county. The uh cost of development up there we have looked at a number of different times, the AGI, the AIG project brought in a number of different engineering estimates for Topsy Lane, Sunridge, uh

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developments, the 395 work, the water, the sewer. We've seen those numbers a couple different times. Some of the housing projects that are being looked at have also had to go through those analysis. Uh, so we know that there is a very substantial cost of development in that area. There is a substantial cost just in the dirt moving to be able to have a level building pad, uh frankly, in that area. I know that's also a concern. Originally when, I think it was more for leverage, but when the the uh the auto dealers bought it in looking at a car dealership, uh a potential auto mall. Again I think that again was more leverage to work with Carson City. But again they knew they would have a very substantial challenge in terms of uh uh the topography of the site. We've had couple different brokers approach us on only buying 20 or 30 acres of the site. We have indicated to them that's not something we have an interest in seeing. We'd rather see the whole site developed as an integrated development, not a uh partial development. Uh, the goal here is still is that uh this would serve to uh bring that total development to fruition. The indication again from the other major property owner uh being Carson Auto Mall LLC is that uh that is their desire as well to see a full integrated project uh built. The uh financial analysis again it it did focus primarily to the revenue side of what comes into Douglas County as we look at a budget that is uh more and more sales tax oriented. About 40% of our general fund is tied to that. Dollars currently come in to fund current operations as well as they go up to fund additional operations. Uh, discussions related to like the senior center uh. We do not fund that currently out of those types of revenues outside of the quarter cent sales tax and room tax. Uh in the past that was not funded as part of the general fund. It comes from a different revenue source. Uh, those revenue sources have also been stressed in the past as we've seen with the room tax uh issues as well as uh the need to rely more and more on sale tax. Property taxes have also been capped as uh I think to the benefit of the property owners with across the state of Nevada, not just in Douglas County. Uh, in terms of a limit it is about 25% or so of our general fund revenue. That uh 30% of it that comes in. So as we look at the future for our revenue stream and economic component of the County, we do do multi-year projections. If we look at the budget documents we have, our general fund takes a five year picture of where we are going to be. Uh, it makes some assumptions in terms of uh those types of growth elements, the cost of uh personnel and service costs. The uh key element for us is looking at that cash flow level of what happens with uh those types of county revenues. If if you were to have zero development period in the next year that would not diminish the cost of county services. What we currently have today. Uh the same demands would be in our sheriff departments and other uh county functions. I think you would continue to see some challenges in those areas uh as we go forward into uh the future year budgets. Frankly, if it were not for the east side development in the last few years uh, your general fund budget would have seen uh up to a half a million or more per year in terms of uh revenue shortfalls from what you currently have. Uh, some of you have been through some very difficult budget times here in the county. I think you would uh understand the need to grow those types of revenue bases. At the first issue being able to maintain your current services. Secondly, being able to add additional services. Last year in the budget process we did uh take the existing redevelopment agency debt and modify that. Was to increase the uh payment into the county general fund from an interest standpoint, which allowed us to hire two additional deputies for uh basically street-related enforcement I guess, uh, our traffic unit. Add two officers there. So in this last year we had I think we had, including those two a total of six officers on the street there. And we've added other areas around the county over time. Uh, so from those levels uh, you know, some of, some of

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the concerns expressed when you look at the potential, the worst case scenario as we called out, as if you build out 30,000 square feet, and walk away, is that a risk that's out there? The answer to that is yes. Uh that's uh that's been acknowledged. I think the uh the reality for that to happen is very difficult given the cost of development uh of the site that's been selected on purpose for that in terms of uh what will be required to build that. Also, knowing that the surrounding property owners have an interest in seeing this uh serve as a catalyst to develop their property as well. Uh, I don't foresee that as an issue. Worse case would be is uh they would get into the project, walk away from the project. Uh, we would not have the additional uh buildings, and the agency would not be on the hook for any type of ongoing payment.

Doug Johnson: I think your three minutes are up. Actually, um I just wanted uh to make a a brief observation quite a few times out here as far as uh the last election where we had 3 ballot measures to increase taxes for services. And in my opinion you didn't tell me you didn't want the services. You didn't want more sheriff deputies. You didn't want. You. I guess where I'm going with this is you told me that we need to find other sources of revenue, and you don't want to have to pay for it with an increase of your taxes, and that's been, that's been the mantra for many, many years. And you've mentioned that the casino corridor is flat, but sales taxes are even flat. So, in my opinion this is one of generating in the best case scenario, if this things does get built out in the next 15 years, we will have some sales tax. We we have sales tax coming in from the other side. I don't know the exact numbers, but you know the quarter percent that goes right to Powell's, that' a direct benefit from the the development on the on the west side. Um, I guess I can just kind of just pass this down the line here and some opinions and questions and comments from the other commissioners. Commissioner Smith?

Tim Smith: Yeah, I just, I I I want to make a comment um. I don't know who to thank for having my very last agenda item. Um, you know since this came to light a little over 3 weeks ago when we first got agenda packets, and then, because of the problem it was put off for 2 weeks. Um, going through all that information, and I've received a lot of phone calls and a lot of emails and and information that's come through the county offices, and I appreciate all that information. And I can assure you uh it's been poured over thoroughly. And I'm pretty positive not just by myself but by all the members here. I am starting by just making a statement, and I want people to know this that there have been some inferences, and I don't think it's from, at least I hope not, and I I don't know of anybody in particular in this room, but there's some inferences being made that since this is the last decision that I'm going to be making, that I'm taking this seriously, and that irrespective of which way I vote on this, I'm done. I walk out the door, and I don't care. Well, before I make that vote, and I can tell you right now I'm still waiting for all the comments from all the commissioners. I've listened to what you people have had to say. I'm waiting for some other comments from the commissioners because I've never had an agenda item before me that I've gone back and forth and back and forth on so many times as I have this particular item. But when I do make that decision, the inferences that I don't care um, I'm assuring you and this will probably appear on public TV and for somebody who uh er those who have uh made that inference that I don't care about this decision, I want to put their minds to rest that this decisions is not going to be made lightly.

Doug Johnson: Chairman Baushke, I'm going to uh uh go to you if you're still on the phone. Like to hear a little bit from you.

Jim Baushke: Yes, thank you very much. Uh, first of all I would like to commend you on running a very good meeting and uh doesn't seem like you miss me at all.

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Doug Johnson: That's not true.

Jim Baushke: I've been taken aback by some of the comments regarding uh the uh. Can you hear me?

Diana: Oh, we can hear you.

Jim Baushke: Okay. Uh, somewhat taken aback by some of the comments regarding the financials, and in the analysis that was done and all of that sort of thing. And, of course, having been in the hospital for 8 days, had a chance to review them in detail like I would have wanted to. Otherwise, but I have been in numerous discussions on this particular project over the last couple of years and watching it, and taking a look at the different ideas that have come forth.

We're trying to make it work and make it plausible. And I guess, just in in talking with a number of people around the region, I can tell you right now, and I would bet money on this that if that border between Carson City and Douglas County was just a half mile further to the south, Carson City would have done redevelopment on this land similar to what we're doing ten, fifteen, twenty years ago. They know it's there. They would love to have it. The only the only real flexibility we've got anymore with any kind of revenue stream is sales tax. And I think our our experience with the last election shows that the citizens of Douglas County don't want the tax rates to increase. So that leaves us pretty much just one option left, and that's to get more sales tax revenue through volume, and that means more stores. And I take a look at the success, I guess, in my own mind, of the of the development on the west side. A lot of people were up in arms when they learned about In and Out Burger going in there; it was going to put all of the hamburger places down here in Carson and er uh in Minden and Gardnerville out of business. I haven't seen anybody go out of business except the one up there at uh Wendy's, and they didn't go out of business because of uh uh the hamburger, In and Out Burger. They went out of business for other reasons. And I don't I don't really see the negative impact overall that a lot of the people have have uh come forward with. Uh, Any any business venture like this is a risk. There's risk inherent in anything that we do. We're never going to have a proposal that going to be risk free. And I would uh, you know, I've been I've been listening all the comments seriously tonight, and uh I I I too wish to hear from some of the other folks on the commission. I know that Commissioner Kite was here and went through the first redevelopment to the west side. Maybe he's got some thoughts that would help out on this on this whole matter as well.

Doug Johnson: Thank you, Commissioner Bauschke. I think the ball has been passed to you, Commissioner Kite.

Kelly Kite: Somebody mentioned a while ago why we are going about this so quickly. What's the rush? Uh, we've only been working on this for 8 or 9 years. And I will tell everyone here that a lot of the questions that were asked tonight were questions I asked 8 or 9 years ago. I was probably the last one on this board to be convinced that we ought to go to this kind of risk. I was convinced, and I'm glad that I was because over the last, I'm going to say, comfortably, six years, Douglas County has been the second lowest taxed county in the state. And the reason it was, was because of redevelopment on the west side of 395. Was that a gamble at that time? Yes, it was. We had no track record. We had no experience in this. Um, people were saying if you wait, they'll come along and they'll build there. Well, we waited and Costco looked very seriously at our area, and the deal was if you want to build up there, build your own infrastructure, and they said okay, we'll build in Carson City, and they did. There was a comment about if now that we've got Home Depot up there, if Lowe's builds across the road, they'll uh, both of them will be hurt. Lowe's built across the road, a half mile further north, or maybe a mile, I

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don't know, three quarters of a mile, somewhere along there, not very far. Uh, and I'm glad I'm not in your position because I've got to tell you when I voted yes to approve the first redevelopment district, I was scared to death. It was a very very tough decision. We were facing hard financial times. I guess that's probably what swayed me to go this route because uh is there some risk? Yeah. I'd be the biggest liar in this room if I didn't say there wasn't some risk. I think we've got it written, broken down to where it's a smaller risk as we're possibly going to get. I heard the comment that you're giving so much away. If you've got nothing, you've got nothing to give away. Uh, a Missouri story here, had a farmer come in to the MFA, which is the Missouri Farmer's Association, when I was a kid. And he's kind of a jokester, and he said I lost \$10,000 this morning. Everybody felt really bad for him. They said well, how did you do that? Price of hogs went up, and I didn't have any. Well, you can't give away something you don't have. We have nothing over there. We've spent 9 years, I guess when we first master planned the other side um. Numerous, we had local hearings. Uh, all of that we hammered out, and our goal was to increase the sales price of the BLM land. They were expecting \$3 million. Well, I will tell you with the exception of PILT, which is payment in lieu of taxes, we got nothing off of that land. Those sold for over \$40 million. Well, we, there, I think it was Ms. Sturgis was here earlier pointed out that there's a good possibility that we got shafted on that money's supposed to come back from BLM. But that wasn't the primary reason for doing that. As I said the primary reason for doing it on the other side was because we were facing dire economic. I'm here to tell you we're facing that again. Maybe no one wants to admit what we're facing 3 years from now, but with the 3% cap on property tax. Take a look at what inflation is. Take a look at labor. Take a look at replacement of vehicles. 3% will not cover it. So, what do we do. We go out and we try to find a way of making up that deficit without it costing the taxpayers anything. Well, you can say well it's going to cost us \$24 million because that's \$24 million in the tax uh revenue we won't get in the next 20 21 years? Something like that. I'll refer you back to the hogs. We're not getting anything off of it now. But what we will do is we'll generate somewhere in the neighborhood of half to million dollars, somewhere in there, depending on how much of this gets built out, and that will come to Douglas County. What will we do with that money? We're probably not going to help the ranchers out with any of it, although we should. Uh, we're probably not going to build anything with it. We're probably going to use that to keep up with inflation. And 10 years from now, after we've used up this benefit, it will be somebody besides Commissioner Smith and I that has to make the tough decisions on where we're going to generate that money. Douglas County doesn't make anything. It doesn't sell anything. It doesn't grow anything. The only way we can increase our cash flow is (1) raise taxes, or (2) find another source of getting that money. And what we're doing here is going out and getting another source to get that money. That's all. I don't care whether Mr. Timon makes any money or not. I hope he does, because if he does, then we do. If Mr. Timon doesn't perform, he gets nothing. If Mr. Timon doesn't perform, well we don't get anything either, but until that part is done we both lose. Did we do the same thing with a small piece of property on the other redevelopment district? Yes, we did. And I know why we do it on a small piece of property, but I'm not going to go into that right now; it's immaterial. But we would not have anything on the west side of 395 if couple of people sitting out there in the audience and me and a couple of other guys that's not here anymore didn't sweat bullets and agree to do this. And I gotta tell you, I'm sweating bullets again, but it's a lot easier than it was the first time. We've got a track record. We've got a proven track record. We've got proven results. We've got ongoing results, and

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unless a fire comes through there and wipes out that whole development, and they don't have any insurance, who knows how many years we're going to continue with that revenue stream of sales tax. And there's not going to be \$1 of taxpayer's money put up in front to make it happen, and I guess I've kind of told you how I feel about this project.

Doug Johnson: Commissioner Brady?

David Brady: Well, I think to follow up on Commissioner Kite's comments. Back then it was truly a leap of faith, and today I think it's a true leap of faith. The difficulty that I have, and I want to, I want to go back to a comment Mr. Timon made. Um, I truly believe it is your ability to perform, and it is relevant. Uh, do I believe that you can probably put up 30,000 square feet up there? Yes. Have you demonstrated your ability to go from 30,000 square feet to 600,000 square feet? I haven't seen a business plan to to really make me feel comfortable to that end. We talk about the beauty and the benefit of a public private partnership, and if we look to what happened on the west side, it truly was a leap of faith, and and uh it it turned out okay. But there is some details with that development that I have some heartburn with in that there was no exit strategy to recover any of the costs that we put up front, and the property was sold. Uh, the developer moved on, and we're still paying them. So, I would prefer not to repeat that same uh mistake again. But I think as a practical matter, the terms and conditions that I see within this project give me cause for concern. Uh, one, of course, is what I believe to be a true absence of due diligence. What I've seen is two individuals who are genuinely concerned about the the future of the North Valley, Mr. Timon and Dan Holler, have worked diligently to try and put something together absent any involvement from the outside, and by that I mean where are the um, and this is the problem I had when AIG Baker came forward is that one of the expectations I had was that this project should be scrutinized by an independent third party who could study the transaction and who is knowledgeable in real estate development as it relates to these kinds of projects. We haven't had that kind of scrutiny. Yes, we've had Meridian come in and crunch some numbers, but I don't believe that their background, and maybe I'm wrong, their background doesn't really address the issues that were brought up here tonight relative to a feasibility study. The absence of financial disclosures, um, concerns me greatly, and when it comes to the numbers we're talking about, and Mr. Timon and I have talked about this before, and my concern the last time was there's no recapture on our costs. I don't see this as a true partnership. Under no circumstances will we recover, in your own words, any of the moneys that we commit to you if the property is sold or if you make money. And that's the deal that you want to bring to the table, it's not one that I can support. I I think that uh there was reference to risk reward. There truly is a risk reward here, and I truly believe it to be out of balance.

Doug Johnson: Thank you. I think I'm just going to follow up with sweating bullets. That's a good way to put it, Commissioner Kite. I was here for the the \$11 million AIG Baker. I voted for that. Um, I had numerous emails and phone calls immediately after that, and I'm expecting them again. Uh, I've had conversations with with Mr. Brady going over some of his uh issues with this, and we respectfully disagree on a couple of them. Um, I think we're beating a dead dog, right here the more we talk about it. At this point, if there's no further discussion, I would like to entertain a motion.

Kelly Kite: Uh, I'll make that motion, but before I do, uh, and I have a great deal of respect for Mr. Brady and his financial background. It's far superior to mine, but when we get into this, we really don't want an exit strategy. By that I mean they are still paying the increment property taxes at the high assessed

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Complete Comments of Dan Holler, Jay Timon and all Commissioners
Excerpts from Jack Vandien and Carl Malkmus, Douglas County Residents**

level, and unfortunately, by state law, we're only going to recapture, I believe, 8% gain per year, but I'm going to, I'm going to move to support this, and I'm taking this as another opportunity to explain why uh. Their money is being used to repay them, and we're reaping the benefits of everything over and above that and all of the sales tax. So I'm using that as a reason to explain of why I'm going ahead and make the motion to uh approve the recommended action.

Tim Smith: Um, Mr. Chairman, um so I can explain myself, I'm going to second the motion, and I want it on the record as to why. And again as I stated earlier, I have struggled with this, but I I I think that what it can back to that convinced me finally because I had, I mean, the questions that were raised that were brought up tonight, you know, I struggled with those very questions myself, but I think the one issue that it comes back to, and I don't. We're not talking the same exact dollars versus necessarily what could have been put on paper as promises up front, or not, on the west side of the highway, but it does come back to the fact that that this is it mirrors what happened on the other side of the highway. It was the same concept, and it's a concept that has worked, and for those reasons I am seconding the motion.

Doug Johnson: Just for clarification. Commissioner Bauschke, are you still with us here?

Jim Baushke: Yes, I am.

Doug Johnson: We've a motion by Commissioner Kite and a second by Commissioner Smith. All those in favor signify by saying aye. Commissioners Johnson, Bauschke, Kite and Smith: Aye All those opposed?

David Brady: Nay.

Jim Baushke: Bauschke voted aye.

Doug Johnson: Thank you, Jim. Motion carries 4 to 1. Commissioner Brady in opposition.