

EUREKA COUNTY BOARD OF COMMISSIONERS
SPECIAL MEETING WITH NEVADA RURAL HOUSING AUTHORITY
August 12, 2010

STATE OF NEVADA)
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COUNTY OF EUREKA)

CALL TO ORDER

The Board of Eureka County Commissioners met pursuant to law on August 12, 2010, for a special meeting. Present were Chairman Leonard Fiorenzi, Vice Chair Jim Ithurralde, Member Mike Page, District Attorney Theodore Beutel, and Clerk & Treasurer Jackie Berg. The meeting was called to order at 10:00 a.m. and began with the Pledge of Allegiance. The interactive video conference system was connected and utilized between Crescent Valley and Eureka for the entire meeting.

APPROVAL OF AGENDA

Commissioner Ithurralde motioned to approve the agenda as posted; Commissioner Page seconded the motion; motion carried 3-0.

PUBLIC COMMENT

Chairman Fiorenzi called for public comments. Lee Raine requested assistance from the County in acquiring a 2.1 acre parcel belonging to the County and two parcels belonging to the BLM (1.3 acres and 3.0 acres) for the purpose of commercial development. All parcels are near Ridgetop Road and adjacent to US Highway 50. Chairman Fiorenzi stated that the Commissioners have already placed an item on the next agenda to begin the process of acquiring the BLM parcels. There were no further public comments.

NEVADA RURAL HOUSING AUTHORITY

Financing/Funding Options for Development of the Eureka Canyon Subdivision: Dave Craig and Jack White thanked the Board for calling this special meeting. They introduced Mike Pollock, Sr. Vice President of Commercial Real Estate Lending with Nevada State Bank.

Mr. White gave an overview of financing needs for the four stages of Phase 1 of the project, noting that all estimates were maximum amounts: (1) a multifamily loan for development of the 50 apartment units estimated at \$4,850,000.00; \$1.7 million of that will be needed to tie up the Guerdon townhome units; (2) a subdivision architectural and design loan for development of 63 single family lots estimated at \$4,225,000.00; (3) development of offsite utilities (water only) estimated to be \$235,000.00; and (4) development of tie-in of the access road from the property to Highway 50; costs have not yet been negotiated with Nevada Department of Transportation, but are preliminarily estimated at \$1,150,000.00. The high-end estimate for these four stages is \$10,460,000.00.

Two sources of funding options have been identified. The first is a market rate bank loan with a cash equivalent guarantee from the County, and the second is a government to government loan from Eureka County to Nevada Rural Housing Authority.

Nevada State Bank: Mike Pollock, Sr. Vice President of Commercial Real Estate Lending for Nevada State Bank, reviewed the County's financing options from the bank's perspective. With the current turmoil in the financial markets and overbuilding in the real estate market, construction loans are virtually impossible to get. Mr. Pollock felt the best option he could offer the County is a cash (certificate of deposit) secured loan, which would essentially amount to taking the County's money and lending it back out at approximately 3% interest (2% over the estimated CD return of 1%) and an estimated \$200,000.00 for additional costs and fees. This

would be for a \$4 million loan with an 18-month term and a one-time six-month extension. All of this applies to the multifamily type loan only; subdivision architectural and design loans are even trickier to accomplish and therefore carry higher rates.

Additionally, if the County is depending on HUD for a takeout loan as a source of repayment, Mr. Pollock has seen HUD back out of deals in Reno that have been in process for months and were considered 'done deals'.

Benefits of having the bank involved are: it provides a third party to scrutinize the transaction, brings their mortgage lending expertise on board, and continues the ongoing relationship between the two entities. But even with these benefits, Mr. Pollock didn't feel this was the best option for the County.

Government to Government Loan: Mr. White explained that the government to government loan would be a direct loan from the County to Nevada Rural Housing Authority, done in the same method as a bank loan or any other interest bearing loan. For a multifamily loan, this could be paid off with the HUD (or USDA) takeout loan, which would immediately be applied for by NRHA with an anticipated processing time of 12-18 months. For a government to government subdivision loan, payoff would be accomplished by sale of the lots.

Mr. Pollock agreed that the government to government loan is probably preferable and would definitely save the County money. The bank would be willing to offer assistance in any way it can, mainly in an advisory capacity.

It was also noted that a combination of two types of loans is also an option; for example, the CD secured loan through the bank for the multifamily phase and a government to government loan for the subdivision phase.

Offsite Utilities: Mr. White explained that Summit Engineering has estimated the cost to deliver the offsite water supply from Hogpen Reservoir to the subdivision site is \$235,000.00. Negotiations with NDOT for easements under Highway 50 must still be done. The other utility issue to consider is capacity of the sewer if complete build-out is accomplished. Present sewer pond capacity will handle the 50 apartment units, but connection will still have to be made. Since expansion of the sewer is already a budgeted capital improvement item for the County, costs aren't cited in relation to financing. Once talks begin to encompass the temporary housing for Eureka Moly, water capacity will need to be reconsidered.

Guerdon Townhome/Apartment Units: NRHA has placed a \$287,000.00 deposit on 50 Guerdon townhome units located in Boise, Idaho. Textron Financial currently has \$2 million invested in the homes. NRHA made an offer to purchase the units for \$2.1 million, but if they exercise an option to buy out the Textron Financial note now, they can get the units for \$1.7 million. If NRHA receives direction to proceed, a sales agreement will be drawn up for 50 units and the \$1.7 million will be placed in escrow. Based on the feasibility studies, NRHA has the option of accepting less than the 50 units within the 30-day escrow period, and purchased units will be prorated across the \$1.7 million. The caveat is that the minimum number of units recommended by the feasibility study must be purchased. The County needs to identify if the cost savings involved warrants moving forward with immediate purchase of these units when the construction timeline is still uncertain. Mr. Pollock interjected and advised that the County's focus should be on the need, which won't be fully identified until release of the feasibility study, and shouldn't be focused on the cost savings related to early purchase of the units. He advised the County to take a slower safer approach.

Review and Revisions of Timelines: Mr. White reiterated that the main change to the timelines was adjustment of everything by two weeks as outlined at the August 6th meeting. The Final Development Plan will now be submitted at the September 7th meeting, and the contract/agreement between Eureka County and NRHA will be reviewed at the September 20th meeting. This schedule is dependent on timely receipt of the feasibility studies. NRHA plans on attending each Commissioner meeting to provide updates to the Board.

BOARD ACTION AND DIRECTION

At the request of the Chairman, no decisions were made and no direction was given during the previous discussions. Chairman Fiorenzi preferred to complete a comprehensive review of each item and then to revisit items needing action or further direction.

Financing/Funding Options: Mr. White stated that NRHA tried to provide the County with breakdown of the project phases, sizing and type of funding needed, and timelines for obtaining that funding. What NRHA was looking for from the County was some level of commitment regarding source of funding for the project, and if the Commissioners weren't ready to take action today, would like to request that this be addressed at the September 7th meeting. This will enable NRHA to move forward with pricing, bidding, identifying the general contractor, etc.

Other aspects of financing, especially those involved in a government to government loan were discussed in more detail, including: consultants, professionals, advisors; document preparation; interest rates and other fees; loan administration; responsibility and controls related to release of funds; voucher control; audit requirements; etc.

The Board discussed the need for public hearings in relation to the financing options and considered whether one overall public hearing was preferable or individual public hearings related to each phase of financing for the project.

A lengthy discussion ensued with a more detailed review of the estimated costs for each phase of development and estimated costs for all utilities. Consideration was also given to the amount the County might be willing and able to carry or pre-fund. Commissioner Ithurralde motioned to move forward with the government to government loan not to exceed \$7 million with the requirement that all funding/financing items will be approved independently as the need arises, with accounts housed at the local branch of Nevada State Bank, that the County engage a third-party consultant, and that further details regarding the government to government loan will be determined down the road.

Before calling for a second, Chairman Fiorenzi asked if all parties understood the motion and requested input from the County Treasurer and County Auditor. Jackie Berg requested an estimated timeline for payout from NRHA and agreed that each financial phase should be approved independently. Mike Rebaleati didn't foresee a financial hardship for the County since the project would span at least two fiscal years and because the motion on the table was just preliminary approval for items that will be addressed in more detail as the project progresses. Commissioner Page seconded the motion; motion carried 3-0.

District Attorney, Ted Beutel, will research the steps required to implement the government to government loan.

Guerdon Townhome/Apartment Units: All parties discussed the purchase of the Guerdon townhome units. It was agreed that NRHA will speak with the Guerdon representatives and notify them that NRHA has authority to purchase the units pending the outcome of the feasibility study and subject to availability of funds through the government to government loan. Mr. White asked if the feasibility study came in with a recommendation to purchase the Guerdon units, but all aspects of the government to government loan had not yet been worked out, would the County be willing to advance the \$1.7 million? Chairman Fiorenzi felt the Board could consider that if needed, as long as there were no legal issues prohibiting that type of advance. Commissioner Ithurralde suggested including an item on the next agenda, so that this could be addressed if needed.

PUBLIC COMMENT

Chairman Fiorenzi called for public comment. Lisa Wolf asked for the definition of A&D loans and Mr. Craig responded that they were for architectural and design. There were no further public comments.

ADJOURNMENT

The Board thanked all parties for their attendance. Commissioner Page motioned to adjourn the meeting at 12:25 p.m.; Commissioner Ithurrealde seconded the motion; motion carried 3-0.

Approved this 7th day of September, 2010.

/s/ Leonard Fiorenzi
Leonard Fiorenzi, Chairman

Attest: /s/ Jackie Berg
Jackie Berg, Clerk