

POCATELLO DEVELOPMENT AUTHORITY  
Board of Directors Meeting

Council Chambers  
Pocatello City Hall

April 15, 1991  
Noon to 1:00 p.m.

Noon

Call to Order and Introduction - John Carlson, President  
Minutes - Motion to approve and/or amend  
Agenda - Add or Delete Action or Discussion Items

Action Items

Review and Approve April Expenses

Discussion Items

Ceratile, Inc.

Domsea Farms, Inc.

Update on Kress Building Project, including preliminary review of

1. Project Financing Comparisons (Nov '90 vs Mar '91)
2. Loan Agreement Among First Interstate  
Bank of Idaho, Oldtown Investments and PDA
3. Promissory Note for \$73,000 between First Interstate  
Bank of Idaho and Oldtown Investments

NOTE: On or about May 10, 1991 a Final Development with appropriate documents, including financial statements will be forwarded to Directors for approval at the May Board Meeting.

ABBREVIATED MINUTES  
POCATELLO DEVELOPMENT AUTHORITY  
April 15, 1991

Karen McGee, Val Arvas, and Bob Weppner were excused. There being insufficient members for a quorum, Mark Reid noted that Donovan Rypkema, a noted downtown development/historic preservation consultant will be the "main attraction" at the regular meeting May 20, 1991. We will have a short business meeting, then Mr. Rypkema will be available for questions and information regarding funding and so forth.

Members are urged to mark this meeting on their calendars and be prepared with questions and comments for discussion.

*A Valentine*

**GREEN, SERVICE, GASSER & KERL**

JAMES B. GREEN  
ARCHIE W. SERVICE  
C. K. GASSER  
R. KERL  
FREDERICK L. RINGE  
STEVEN V. RICHERT  
RICK CARNAROLI  
JAMES A. SPINNER

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\*Also Member D.C. Bar  
\*\*Also Member Utah Bar

April 5, 1991

KAY E. MOORE  
BART GREEN  
ROBERT J. WILLIAMS (Boise Office)

Ms. Nancy Taylor  
Southeast Idaho Council  
of Governments, Inc.  
1651 Alvin Ricken Drive  
Pocatello, ID 83201

Re: Kress Building Loan Agreement

Dear Nancy:

I have reviewed Ordinance No. 2343 of the City of Pocatello adopting the Kress Building Revenue Allocation Financing Provision, the Kress Building Loan Agreement and the Adjustable Rate Note as you requested.

It is my opinion that the revenue allocation financing provision was properly adopted according to statutes. It is further my opinion that representations made by Pocatello Development Authority in Paragraph 2.A through 2.K are true and correct and that proper statutory procedures have been followed as is set out in the representations. The limitation of liability of Pocatello Development Authority is set out in Paragraph 5 and that liability is limited to revenues generated from the valuation increment of the Kress Building Revenue Allocation Area deposited in a special fund. The loan Agreement is in proper form and I do not see any legal problem with PDA authorizing Tom Arnold to sign it.

The Adjustable Rate Note is not to be signed by PDA and involves only Old Town Investments and First Interstate Bank. I do not see any legal problem with them signing the Agreement.

If you have any questions, please feel free to call.

Very truly yours,

GREEN, SERVICE, GASSER & KERL

  
Fred L. Ringe

POCATELLO DEVELOPMENT AUTHORITY  
MINUTES  
EXECUTIVE SESSION March 18, 1991

This executive session was entered into from the regular session held March 18, 1991.

Tom Arnold reported briefly on the status of the Ceratile and DOMSEA plants. PDA should be protected from litigation for non-payment of obligations because lease, etc. were written so that PDA's obligation to pay was directly related to funds received from tax increment financing.

The Ceratile project is the one most critical because, not being completed, the facility was assessed only limited taxes rather than the full amount projected. Closure will prolong the time before "full taxation" will occur.

DOMSEA will officially close its doors this Friday. Negotiations are on-going for its purchase/lease by other groups, including the possibility of a Japanese beef-processing firm taking over the facility.

1:24 p.m. adjourn back into regular session.

# Southeast Idaho Council of Governments, Inc.

IDAHO STATE UNIVERSITY  
BUSINESS & TECHNOLOGY CENTER  
1651 Alvin Ricken Drive  
Pocatello, Idaho 83201  
(208) 233-4032  
FAX (208) 233-4841

April 2, 1991

Fred L. Ringe  
Green, Service, Gasser & Kerl  
2043 E. Center  
P.O. Box 4883  
Pocatello, ID. 83201

RE: KRESS BUILDING  
LOAN AGREEMENT

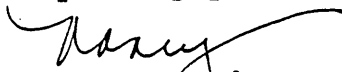
Dear Fred:

As per our phone conversation, I am forwarding the final copy of the Kress Building Loan Agreement dated March 21, 1991 for your review. I have enclosed my copy of the older agreement dated December 19, 1990. The red marks on pages 4 and 5 were suggestions you made during a phone conversation we had probably in December or January. The attached "Adjustable Rate Note", dated March 22, 1991, is an executed document (First Interstate has the original) which I believe should accompany the Loan Agreement. Finally, I enclosed a signed copy of the Ordinance #2343 for your files.

I am anticipating that the Pocatello Development Authority will want to review this Loan Agreement at its regularly scheduled meeting, April 15, 1991. If you could review the document by April 9th, I will forward it to board members.

Thank you for your assistance.

Very truly yours,

  
Nancy A. Taylor  
Encl.

BANNOCK COUNTY  
Downey  
Inkom  
Lava Hot Springs  
McCammon  
Pocatello  
Arimo

BEAR LAKE COUNTY  
Bloomington  
Georgetown  
Montpelier  
Paris  
St. Charles

BINGHAM COUNTY  
Aberdeen  
Atomic City  
Basalt  
Firth  
Shelley

CARIBOU COUNTY  
Bancroft  
Grace  
Soda Springs

FRANKLIN COUNTY  
Clifton  
Dayton  
Franklin  
Oxford  
Preston  
Weston

IDAHO COUNTY  
Malad

POWER COUNTY  
American Falls  
Rockland

Idaho Migrant Council

Japanese American  
Citizens League

National Association  
for the Advancement  
of Colored People

Pioneer Country  
Travel Council

Pocatello Central  
Labor Union

The Shoshone-  
Bannock Tribes

Idaho State University

CAROLYN MELINE, President

SCOTT B. McDONALD, Executive Director

KRESS BUILDING  
PROJECT FINANCING

NOVEMBER 1990 ESTIMATE vs MARCH 1991 ACTUAL

	<u>DEVELOPMENT PLAN</u> November, 1990	<u>FINAL PLAN</u> March, 1991
<u>PUBLIC LOANS</u>		
Idaho Water Resources Board (5 year loan @ 6%)	\$ 50,000.00	\$ 50,000.00
Rental Rehabilitation Funds (City of Pocatello)	\$ 34,000.00	\$ 34,000.00
Historic Preservation Commission (3 year loan @ 3%)	<u>\$ 3,000.00</u>	<u>\$ 3,000.00</u>
Subtotal	\$ 87,000.00	\$ 87,000.00
<u>TAX INCREMENT FUNDS</u>		
Revenue Allocation Financing (through First Interstate Bank & Pocatello Development Authority)	<u>\$ 88,700.00</u>	<u>\$ 73,000.00</u>
Total Public Loans & TIF	\$ 175,700.00	\$160,000.00
Investors Funds (Excludes A&E/Non-Capital Costs)	<u>\$ 146,550.00</u>	<u>\$162,250.00</u>
ANTICIPATED TAX BASE AT PROJECT COMPLETION:	\$ 322,250.00	\$322,250.00

\* As of 4/12/91 \$159,000.00 had been expended by the investors on the project

KRESS BUILDING  
March 22, 1991

WK# 10

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	TOTAL
Const loan fee	1.5%
Const int	12.0%
Const time -yrs	0.5
Perm loan fee	1.0%
Perm loan int	11.8%
Architect fee	6.0%
Developer fee	0.0%
NET LEASE AREA	100%
Office Space:	
Rent/sq foot	
Net lease area	
Apartments (1 Studio @ 200, 1 1BR @ 360,	
1 2BR @ 300, 1 2BR @ 325, 1 2BR @ 460	
Annual revenue/unit (average)	
# of units	
Gross rent	\$57,795
Vacancy ratio	
Expense ratio	15%
Net annual income	(\$1,603)
CONSTRUCTION COSTS:	
Land	\$23,000
Sitework	\$1,000
Demolition	\$3,000
Roofing	\$15,000
Exterior Enclosure	\$50,000
Interior Construc	\$100,000
Plumbing/HVAC/Ele	\$96,000
Construction Cos	\$265,000
Permanent Loan F	\$1,340
Architectural Fe	\$16,000
Developer Fee	\$0
Construction Int	\$5,000
Attorney Fees	\$0
Taxes during co	\$500
Office Space:	\$159,000
Cost/sq/ ft	
Apartments	\$106,000
Cost/unit	\$21,200
 TOTAL PROJECT BUDGET	 \$310,840

1 copy  
for  
Nancy

DEBT SERVICE:	
Loan percentage (loan-to-value)	43%
Loan funds	\$134,017
Annual %	11.75%
Mtge period-yrs	15
Monthly D.S.	\$1,587
Yearly D.S.	\$19,043

Cash outlay and/or City Rehab Funds	\$64,000
HPC Facade Improvement Loan	\$3,000
Yearly D.S. @ 3%/3Yr.	\$1,061
Dept of Water Resources Loan	\$49,600
Yearly D.S. @ 6%/5Yr.	\$11,775
Tax Increment Financing	\$73,000

INCLUDES T.I.F. FINANCING

Yearly D.S. @ 10.75%/15Yr.	\$10,012	②
Note	\$15,000	
Yearly D.S. @ 10.75%/3Yr.	\$6,112	
<b>TOTAL DEBT SERVICE</b>	<b>\$48,002</b>	
<b>CASH FLOW / ANNUAL NET INCOME</b>	<b>&lt; \$1,603 &gt;</b>	

## PROJECTED OPERATING STATEMENT

Income	
Total Annual Rents	\$57,795
Forfeited Deposits	\$0
Other Income	\$0
Vacancy Loss	(\$2,890)
<b>TOTAL INCOME</b>	<b>\$54,905</b>

## EXPENSES:

Real Estate Taxes	\$1,001
Management Agent	\$0
Maintenance & Reserves	\$1,647
Insurance	\$808
Water	\$800
Sewer	\$800
Trash	\$900
Gas/Power	\$1,800
Legal/Accounting	\$300
Advertising	\$150
Miscellaneous	\$300

<b>TOTAL OPERATING EXPENSES</b>	<b>\$8,506</b>
<b>TOTAL DEBT SERVICE</b>	<b>\$48,002</b>

<b>NET ANNUAL INCOME</b>	<b>&lt; \$1,603 &gt;</b>
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## DEBT COVERAGE

Income before Debt Service	\$46,399
Debt Service	\$48,002
Coverage Percentage	97% - 3YRS

Debt Coverage @ 3Yr. pt., when Facade  
Improvement Loan is retired:

Income before Debt Service	\$46,399
Debt Service	\$46,942
Coverage Percentage @ 3Yr.	99%

Debt Coverage @ 5Yr. pt., when Dept. of  
Water Resources Loan is retired:

Income before Debt Service	\$49,171
Debt Service	\$35,187
Coverage Percentage @ 5Yr.	103%

KRESS BUILDING PROJECT  
 15 - YEAR INCOME STATEMENT  
 1991 thru 2005 PROJECTED

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>INCOME</b>															
Gross Rent	57795	57795	57795	57795	57795	63575	63575	63575	63575	63575	69932	69932	69932	69932	69932
Vacancy Loss	-2898	-2898	-2898	-2898	-2898	-3179	-3179	-3179	-3179	-3179	-3497	-3497	-3497	-3497	-3497
Net Rental Income	54897	54897	54897	54897	54897	60396	60396	60396	60396	60396	66435	66435	66435	66435	66435
<b>OPERATING EXPENSES</b>															
Real Estate Taxes	7368	7786	8233	8783	9196	9714	10258	10858	11428	13263	13998	14753	15554	16396	17288
Management Agent															
R.E. Commissions						898					988				
Maint. & Reserves	1547	1696	1747	1799	1853	1909	1966	2025	2086	2149	2213	2279	2347	2417	2490
Insurance	888	832	857	883	909	936	964	993	1023	1054	1086	1119	1153	1188	1224
Water	888	824	849	874	900	927	955	984	1014	1044	1075	1107	1140	1174	1209
Sewer	888	824	849	874	900	927	955	984	1014	1044	1075	1107	1140	1174	1209
Trash	988	927	955	984	1014	1044	1075	1107	1140	1174	1209	1245	1282	1320	1360
Gas & Electric	1888	1854	1910	1967	2026	2087	2150	2215	2281	2349	2419	2492	2567	2644	2723
Legal & Accounting	388	389	318	328	338	348	358	369	380	391	402	414	426	439	452
Advertising	158	155	160	165	170	175	180	185	191	197	203	209	215	221	228
Miscellaneous	388	389	318	328	338	348	358	369	380	391	403	415	427	440	453
Total Op. Expense	14865	15516	16196	16905	17644	19305	19219	20068	20937	23856	25855	25148	26251	27413	28628
<b>DEBT SERVICE</b>															
Bank Loans:															
15,000 @ 10.75% 5yrs	6112	6112	6112	6112	6112	6112	6112	6112	6112	6112	6112	6112	6112	6112	6112
Personal & Other Loans:															
\$134,817 @ 10.75% 15yrs.	18824	18824	18824	18824	18824	18824	18824	18824	18824	18824	18824	18824	18824	18824	18824
\$49,600 @ 6% 5yrs.	11775	11775	11775	11775	11775	11775	11775	11775	11775	11775	11775	11775	11775	11775	11775
\$3,000 @ 3% 3yrs.	1016	1016	1016	1016	1016	1016	1016	1016	1016	1016	1016	1016	1016	1016	1016
Total Debt Service	36927	36927	36927	35911	35911	18824	18824	18824	18824	18824	18824	18824	18824	18824	18824
Total Op & Debt Service	51792	52218	53123	52816	53555	37329	37243	38453	39341	41581	43879	43164	44275	45437	47185
NET INCOME (Before 73% Note)	3113	2462	1782	2089	1358	23867	23153	21943	21855	18895	23356	23271	22168	20998	19338
73% Note - interest	9987	9987	9987	9987	9987	9987	9987	9987	9987	9987	9987	9987	9987	9987	9987
NET PROFIT (LOSS)	-6794	-7445	-8125	-7898	-8557	13168	13246	12036	11148	8908	13449	13364	12253	11011	9423

KRESS BUILDING PROJECT  
15 - YEAR INCOME STATEMENT  
1991 thru 2005 PROJECTED

BASIS & ASSUMPTIONS

BASIS:

Figures are from the Owner's unaudited Financial Statement for the first year, (photocopy of which is page 20 of the appraisal) modified only where more specific or timely data was available (i.e. property taxes and commercial loan rate).

ASSUMPTIONS:

Income Net Rental Income was projected to remain constant for 5 years, then increase 10% in years 1996 and 2001

Operating Expenses - Real Estate Taxes were obtained from estimates appearing in Figure 1 of the Development Plan. Real Estate Commissions are projected to be paid at a rate of 7% on 20% of the rental income in years 1996 and 2001. All other expenses are increased at a projected rate of 3% per year.