

POCATELLO DEVELOPMENT AUTHORITY
Board of Directors Meeting

Conference Chambers
Pocatello City Hall

December 10, 1991
11:00 a.m. to Noon

Noon

Call to Order and Introduction - John Carlson, President
Acknowledge Guests of the Board
Disclose Conflicts of Interest, if any
Minutes - Motion to approve and/or amend
Agenda - Add or Delete Action or Discussion Items

Action Items

Review November Income and Expenses

Acknowledge Resignation of Commissioner Arvas and
Consider Recommendations for Successor

Consider Allowing Signage to be Placed on
PDA-Owned Land at Main and Bonneville

Consider Possible Assignment of Sublease Agreement with
Prospective Buyers of Assets Located in TIF District

Update Items

Newtown Urban Corridor Improvement Plan
Downtown Business Improvement District
Main and Bonneville Property

— Up till 1994
— P.D.A. not involved
— Tim Whiteus, Dick Carroll

Discussion Items

Ceratile, Inc.
Domsea Farms, Inc.
Kress Building

Pocatello Development Authority
Regular Board Meeting Minutes

City Council Chambers
City Hall

December 10, 1991
11:00 to Noon

Present: Carlson, Odom, Tranmer, Arvas, McGee, Ransom, Angstadt, Weppner,
Collins, Reid; Secretary--Amy Whorton; Exec. Director--Arnold

Absent: Ravna Valentine

After determining that a quorum was present, John Carlson called the meeting to order at 11:05 a.m. David Collins, Executive Director of the Greater Pocatello Chamber of Commerce, was welcomed and introduced to the Board. Mr. Collins was invited to attend this meeting so he could become familiar the PDA Board's function in the community and its present activities.

It was noted that there are no conflicts of interest regarding items listed on the agenda.

MINUTES OF NOVEMBER 12, 1991 MEETING

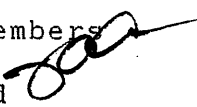
Mr. Carlson read the Minutes of the November 12th meeting and determined that certain changes were needed prior to accepting them. Item #7 should include a statement that Mike Ransom also wanted negotiators to inquire into wages and benefits proposed by the prospective buyers.

A motion to approve the minutes with the above changes was made, seconded and approved unanimously.

ACKNOWLEDGE RESIGNATION OF ARVAS

Val Arvas's resignation from the Board had been received earlier this month. The Board expressed their appreciation for her involvement and accomplishments while serving on the PDA Board. In response to the Board's inquiry regarding individuals who might be interested and appropriate to fill the seat vacated by Ms. Arvas, Val suggested waiting for the replacement suggested by the Governor. That individual may be interested in filling her seat. Other candidates mentioned included Larry Ghan, Diane Bilveu, Shelley Shannon and Jim Branvold. It was determined that the Board would not decide upon Val's replacement until the Governor appoints a new Commissioner to take her place.

Pocatello Development Authority

TO: PDA Board Members 
FROM: T. A. Arnold
SUBJECT: Proposed PDA Meeting, December 17th
DATE: December 16, 1991

This will confirm to each of you that, as of late Friday, Dec. 13th, Fin Riwal International, the prospective buyer for the assets formerly owned by Ceratile and located in Gateway West Industrial Park, had notified West One Bank, the current owner of those assets, of their intention not to close on their purchase agreement by December 20th.

West One Bank has indicated to me that they feel that the proposed sale is not salvagable, and confirmed that Fin Riwal does, in fact, have the ability to back out of the agreement at this point due to the buyers' findings regarding certain contingencies in the contract.

The various reasons given by Fin Riwal for not closing on their contract will be discussed at our next Board meeting which will be held Tuesday, January 14, 1992 at 11:00 a.m. in the City Hall Council Chamber.

Happy Holidays!

TAA:aw

Pocatello Development Authority

December 10, 1991

Mr. Mark Reid, Director
Community Development & Research
P. O. Box 4169
Pocatello, ID 83205

Dear Mark:

At our Board meeting this morning, the PDA Board members approved your request on behalf of the Historic Preservation Commission to place signage at the northeast corner of PDA-owned land at Main and Bonneville in downtown Pocatello.

It is my understanding that Dean Tranmer will provide you with a formal agreement providing for the placement of HPC's sign on PDA-owned land at no cost, with the understanding that PDA bears no responsibility for damage to the sign, or other liability, and that PDA may require removal of the HPC sign at any time upon 30 days notice.

Cordially,



Thomas A. Arnold
Executive Director

TAA/alt

pc: Dean Tranmer

see pg 2 for additions

NEXT MEETING TUESDAY, DECEMBER 10 at 11:00 a.m.

ABBREVIATED MINUTES
POCATELLO DEVELOPMENT AUTHORITY
November 12, 1991

Members present: John Carlson, Peter Angstadt, Karen McGee, Bob Weppner, Francis Odom, and Mike Ransom. Val Arvas was excused

Staff present: Tom Arnold, Executive Director; Mark Reid & Jim Jenkins, CD&R; Dean Tranmer, Attorney for PDA

1. Meeting called to order at 11:05 a.m. by Chairman Carlson who acknowledged other present: Tim Whiteus, Guy Price, Jolene Anderson, and Dan Myers.

2. Members reminded that a regular agenda item was now needed to allow members to disclose any possible conflict of interest. To that end, it was noted that First Security Bank (Francis' employer) was involved in the financing for an upcoming project. The connection was considered too tenuous to be a source of conflict of interest.

3. It was MSC to approve the minutes.

4. Financial. Tom discussed October income and expenses. \$375 income from Met. Adv. & approximately \$115 interest; the normal expenditure of \$992.36 to the City (DOMSEA project).

5. Main & Bonneville project.

Tom proposed that Tim Whiteus and Dick Carroll be given the same time period allotted to APHC (130 days) in which to prepare a detailed proposal for the M & B property. Members agreed, and after brief discussion, it was MSC to have Tom formally extend to them a request for a proposal for the whole property in the same format and under the same terms as extended to APHC.

6. NewTown project. Members discussed the plan which was delivered to them by Tom on Monday. The proposal shows expected income of \$734,000 over the course of 10 years. The public improvements could be done bit-by-bit or the PDA could obtain a bank loan for the bulk of the work and repay it as money is received from the district. Mike noted that it might be wise to be cautious about the amount borrowed because the proposed 1% initiative could adversely affect the district's ability to bring in sufficient revenue to repay the full amount. Additionally, the presumed increases in value might not materialize. After further discussion, it was MSC to recommend the plan to the City Council for approval, with the understanding that the total amount of money available would be dependent on the amount the bank would be willing to finance.

7. Ceratile. The prospective new owners may be closing before the end of the year. They are interested in obtaining better terms (more money, longer term, etc.) The lease with their predecessor was for a maximum of 7 years for a total of \$430,000.00. Members discussed the appropriate approach to be used and decided to have Tom and Dean, along with a representative from the County and one from the City handle the negotiations. Specific items to be required include details regarding the corporate entity, its registration and financial status, and especially details about the parent corporation(s) and its financial status; a requirement that the PDA's lease with Earl Swift be brought current or written documentation from E.S. that any delinquent amounts were or would be forgiven; and a requirement that property taxes be brought current. It was MSC to appoint Tom, Dean, Peter, and Val to negotiate, preferably without extending the terms of the previous arrangement, with these goals in mind.

7. Letter to APHC. John distributed a draft of a proposed response to APHC. After discussion, the letter was approved. It will be mailed later this week.

8. Next meeting will be December 10 at 11:00 a.m. Meeting adjourned.

~~Ceratile~~
Mike Larson
also wanted
the negotiating
committee to
find out wages
and benefits

Rayna Valentine

Pocatello Development Authority
Regular Board Meeting Minutes

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SIGNAGE ON MAIN & BONNEVILLE PROPERTY

The Board was asked to consider placing a sign on the PDA-owned Main and Bonneville property. Mark Reid, Director of Community Development and Research, displayed a map and pictures of the intersection of Main and Whitman, the proposed location of the sign. It was determined that the north end of the lot would be the best location and a motion to allow signage at that location under a 30-day cancellable agreement was made, seconded and approved unanimously.

ASSIGNMENT OF SUBLEASE AGREEMENT

WestOne Bank currently holds title to the assets which Ceratile, Inc. purchased at a cost of \$4.6 million. Current estimated value of these assets is about \$3.1 million as determined by the Bannock County Board of Equalization on November 26, 1991. The prospective buyer has agreed to purchase the assets at \$1.8 million subject to certain contingencies regarding availability of workforce, raw materials, expansion space at Gateway, etc. The proposed closing date is December 30, 1991. Approximately 62-63 workers would be hired beginning January 1, 1992. If the buyer adds a trim line, employment would be increased to 75 workers. Mr. Arnold favors writing a new sublease with the prospective purchaser, rather than an assignment of the existing sublease. A new sublease would allow for more specific language to fit current circumstances and understanding.

Several Board members stressed that bank references and financial statements of the purchasing entity should be obtained prior to finalizing the proposal. The Board gave Mr. Arnold and Mr. Tranmer the latitude to meet and negotiate with Mr. Grimaldi on November 12th regarding the purchase of Ceratile's assets. Following negotiations on November 12th, Mr. Arnold and Mr. Tranmer are to report their findings to a Special Board Meeting on November 17th, if the proposed sale is still scheduled to close on November 20th.

UPDATE ITEMS (December 10, 1991)

NEWTOWN CORRIDOR

No further action is required of the PDA Board in connection with the Newtown Corridor until the 30-day public notice has expired. So far no opposition to the Corridor has been received.

DOWNTOWN BUSINESS IMPROVEMENT DISTRICT

Focatello Development Authority will have no direct involvement in the Business Improvement District which appears to be progressing according to plan at this time.

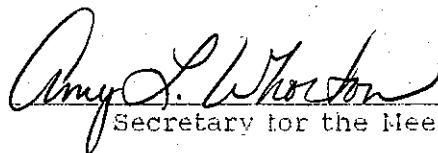
MAIN AND BONNEVILLE PROPERTY

A letter has been written to Mr. Carroll and Mr. Whiteus inviting their proposals, either jointly or individually, for development of PDA-land at Main and Bonneville. Any concessions that may be sought from the City and/or PDA were to be disclosed in the initial proposal. A total proposal is to be submitted for PDA's approval by April 22, 1992.

DISCUSSION ITEMS

None of the discussion items needed to be addressed at this meeting.

The meeting adjourned at 11:55 a.m. The next Board meeting will be held December 17, 1991 at Noon unless otherwise notified.


Secretary for the Meeting

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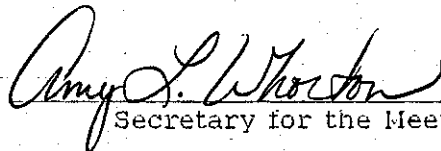
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Secretary for the Meeting

FILE COPY

November 12, 1991

Mr. Colin P. Coleman
American Pacific Housing
Development Corporation
169 SE View Drive
Newport, OR 97365

Dear Mr. Coleman:

In order to provide an informed response to your October 8th faxed letter, I have carefully reviewed PDA's file regarding APHDC's interest in developing housing in Pocatello.

Our file indicates APHDC's interest in one or more projects in Pocatello since January of this year, and that you formally submitted a proposal to PDA by a letter dated September 13th which was received in Pocatello on September 18th. That proposal by APHDC conformed to a May 23rd understanding with PDA which permitted APHDC until September 30th to have a project accepted by PDA for the Main & Bonneville property in consideration of a \$1,000.00 earnest money deposit held by PDA.

Although APHDC's September 13th proposal was never declined by PDA, a prompt counterproposal was made which was to encourage development of market rate housing as a first priority. The project you envision also meets our priorities and goals. However, we have serious concerns with your expectation of PDA investing/loaning \$580,000 for "front end" financing, besides the fact that this sizeable amount was to be amortized over a lengthy period. You also expected PDA to acquire and demolish existing properties on Block 448 and to handle all necessary negotiations with the BLM concerning their easement in Block 448. Therefore, it was felt that acquisition and rehabilitation of existing buildings was more in line with your existing financial capabilities and the limited means at the disposal of the PDA at the present time. You also referred to the powers of the PDA under the state Urban Renewal Law and the Local Economic Development Act. Many of the actions under those powers have to be approved by the local governing body. Based on the above concerns, City Council approval was unlikely.

Colin Coleman
November 12, 1991
Page 2

PDA's counterproposal is totally consistent with prior correspondence, dated May 23rd, indicating that "a portion of your project [should be] targeted toward high-end housing" and our July 3rd letter encouraging "higher-end or upscale units" as being desirable. APHDC's September 24th response to PDA indicated that the counterproposal for market rate housing was not acceptable. Therefore, PDA was fully prepared to act on APHDC's proposal as stated in the September 13th letter, but it was withdrawn on September 30th.

Correspondence throughout the file indicates that PDA approached negotiations with enthusiasm, hoping that suitable and appropriate housing would result in Pocatello's downtown area. However, besides the above financing concerns another major item (as stated in the PDA's counterproposal) was that the end product in the project area contained only affordable housing. Your personal presentation to the PDA specified higher-end housing on the site, which PDA members endorsed.

I regret that we were unable to arrive at a mutually-agreeable proposal and that you have some animosity towards our development coordinator in regards to the project review process. I'm sure that he, like all of us on the Board, was attempting to act in the best interests of the Development Authority and the downtown Pocatello area, and he continues to have our complete confidence.

Sincerely,

John E. Carlson, Chairman
Pocatello Development Authority

D. TRAMER

TO: PDA Board of Directors
FROM: T. A. Arnold, Executive Director
SUBJECT: Board Meeting November 12th
DATE: November 11, 1991

With this memo I am enclosing for your immediate review background information on two proposals involving tax increment financing: the first proposal involves a district to be created and named "NewTown," and the second proposal concerns reconsideration of a previously-approved plan for Ceratile, Inc.

At the Board meeting on November 12th, you will be asked to consider proposals on these two projects, specifically:

NEWTOWN

NewTown involves the creation of Pocatello Revenue Allocation Financing District #4 consisting of an area described in the New Town Urban Corridor Improvement Plan prepared for PDA by Mark Reid, Director of Community Research and Development, City of Pocatello.

Board members will be asked to approve the plan, which, if approved by PDA, will then be distributed to the local taxing districts including Bannock County, the City of Pocatello and School District #25. Adoption of an ordinance by City Council will then be sought during the month of December.

The attached Plan anticipates a net increase in property values in the district being created of more than \$2.3 million. Net tax revenue to be paid to PDA is estimated to be \$734,000 over ten years. Use of that money to pay for the proposed public improvements, and prospective financing alternatives, will be discussed at the PDA Board meeting.

CERATILE, INC.

A Revenue Allocation Financing District was established in 1989 at Gateway West Industrial Center and a plan for the use of increased tax revenues to benefit Ceratile was adopted in 1990. Due to financial difficulties Ceratile, Inc. never began full production, nor was the anticipated goal of 105 jobs ever achieved. It is understood that the sublease is currently in default, both in financial terms and in performance on the commitment to create jobs.

Payments of over \$120,000 in tax revenue will soon be due from Ceratile and/or WestOne Bank.

Prospective new owners visited Pocatello on October 29 and requested of PDA an extension to 15 years of the terms previously granted to Ceratile for 7 years of rental payments. At this time the prospective new owners have not identified what form their entity will take and have not furnished a startup balance sheet or other financial statements. Also, it is unknown whether the prospective new owners will be seeking an assignment of the current sublease or an entirely new sublease with PDA.

Conditions for negotiating with the prospective buyers will be discussed at the Board meeting.

EXECUTIVE SUMMARY

Ceratile Project

To encourage Ceratile, Inc., a Utah corporation, to locate its new tile manufacturing plant in Pocatello (rather than Salt Lake City), during 1989 PDA investigated various means of using TIF money as an incentive to that firm if they would lease space in Gateway West Industrial Center.

As Ceratile stated that they would be creating an estimated 105 new jobs and making a capital investment of over \$4 million in tile manufacturing equipment to be placed in leased premises at Gateway during 1990, it was concluded to use the increased property tax dollars to flow back through PDA to benefit Ceratile in the form of payments for rental of space in Building No. 38. It was proposed that Ceratile benefit from \$430,000 in tax increment financing to supplement bank financing of \$4,237,000, owners' equity of \$1,001,000, a SBA loan for \$725,000 and a subordinated loan of \$711,000 from the equipment manufacturers. An analysis of the proposed project was made by Salt Lake City consultants who determined that without PDA financing of \$430,000 for 7 years, the Ceratile project could not proceed.

October 1989-September 1991

By the end of 1989 a revenue allocation financing district had been created at Gateway West Industrial Center which included Building No. 38 where the tile manufacturing operation would be located. On March 1, 1990, PDA entered into a lease agreement with Gateway West and a sublease with Ceratile. Terms of both agreements were for a concurrent five-year period (March 1, 1990 through February 28, 1995) with options for renewal. The lease documents specify that PDA will pay rent for 61,200 sq. ft. in Building No. 38 for up to seven years with an annual limit of \$61,428 per year, and an aggregate limit of \$429,996. PDA's liability is strictly limited to actual tax dollars received for the project.

Ceratile's sublease stipulated that the tile manufacturer was to employ at least 50 local workers, which it has failed to do. While Ceratile had intended to be in operations by October 1990, financial and operating difficulties prevented them from getting into full production. From November 1990 through August 1991 Ceratile operated sporadically on a limited basis while sources of capital and/or a new owner was being sought.

September 1991-Present

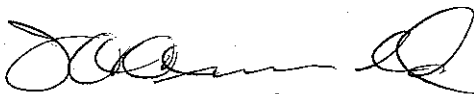
Following almost a year of attempting to find a buyer for the tile manufacturing operation, the investors (Luster, et al) and the lenders (WestOne Bank) apparently agreed upon foreclosure on Ceratile assets by stipulation. On September 27 by judgment in district court, title to the assets, valued at \$4,418,113, passed to WestOne Bank.

On October 28 prospective investors (Messrs. Banfi and Grimaldi) visited Boise and met with Vice President Jim Grigsby of WestOne Bank to finalize an offer for the former Ceratile assets. On the following day, both the prospective buyers came to Pocatello to negotiate with both PDA and the landlord for more generous terms on their respective agreements.

Following the October 29th meeting with Messrs. Banfi and Grimaldi, I have spoken to Mr. Grigsby of WestOne Bank regarding the credentials of both investors and their offer for Ceratile. Apparently the bank and the investors have an understanding as to price and contingencies to be met prior to closing (understood to be on or before December 31). Mr. Grigsby stated that business and credit references in Europe for the investors indicate both financial strength and sound business practice. However, the investors have not provided information to WestOne or PDA regarding the nature of their entity (presumed to be a domestic corporation) or how that entity will be capitalized. Also, it was uncertain from conversations with banker Grigsby and landlord Swift individually whether the new entity will be seeking an assignment of the existing sublease with PDA or an entirely new sublease agreement.

Messrs. Banfi and Grimaldi did indicate that they hoped that their entity would be able to take possession of the former Ceratile assets on or about January 1, 1992. During January the new firm would hire approximately 62 or 63 production workers and would be preparing the facilities for tile production to begin about February 1. Further, the new owners anticipate installing new production equipment for the manufacture of "trim" tile. If, and when, the trim line is in production, employment should reach approximately 75 workers.

In 1989 and 1990 property tax valuations in Building No. 38 were not significantly altered. However, during May 1991 Ceratile filed a declaration of value indicating an original cost of their machinery and equipment at \$4,517,036 and furniture valued at \$77,292. Based on this total value of \$4,594,328 in place at Gateway West Industrial Center for the entire year of 1991, the indicated annual taxes are \$121,322.42.


11.8.91