

POCATELLO DEVELOPMENT AUTHORITY
Minutes
Special Meeting September 1, 2004

Members present: Terry Brower, Steve Brown, Roger Chase, Jim Guthrie, Darsi Johnson, Harry Neuhardt, J. Ricks, Dan Schroeder

Staff present: Dean Tranmer, City Attorney; Ray Burstedt and Char DeWall, Bannock Development

1. Preliminary matters. The meeting was called to order by Chairman Neuhardt at 11:01 a.m.

2. Whitman/Yellowstone project. Dale Bowden, Idaho Housing and Finance Association was present to provide details requested by the Board at its regular meeting held August 18, 2004. Don Thompson of Pocatello Housing Authority was contacted in regard to this project; he has no objection to the project, because there is still a waiting list for this type of housing clientele (low to moderate income. Jay Myers brought a packet of letters, both pro and con, but overwhelmingly pro from members of the community, PHNS, Old Town owners, etc.

Mechanics of the project. In response to questions, Bowden provided the following information:

PDA funding will not be used for the commercial portions of the project.

A limited liability company will be established by IHFA which will own/operate the housing project. Buildings will be condominiumized, and the lower levels sold back for commercial use.

The market survey from Mountain States appraisal company showing additional housing needs used Bannock County for the survey area (as opposed to Pocatello only) because the county area is the smallest recognized area for this type of survey. (Pocatello area is approximately 80% of the survey area)

Cost estimates are based on previously-bid costs for other similar projects. The Yellowstone building rehab figures were provided in addition to the Eagles building and Idanha project in Boise. All 3 comparisons confirm the validity of the estimates.

Parking concerns: Morning and evening hours there is low usage of available parking by the public. The tenants will be working people and, unless working downtown, will not be using the parking during daytime work hours. The parking lot by the RR depot is available. There may be a need to explore a resident-parking permit with the City.

Cost per square foot: Cost per square foot seems excessive at \$150 square foot for the 51 units. Bowden pointed out that rehabilitation of older buildings is usually more costly than building new, but one of the goals of the project is rehabilitation and revitalization. Additionally, there is a commercial component to the project, and, finally, the project meets the urban renewal goals of preventing further deterioration, participating with private (although non-profit) groups to encourage use and rehabilitation of older buildings. Economic benefits to existing enterprises as well as additional businesses usually follow such projects.

The Association will assume the purchase option on the Whitman and buy the Yellowstone from the current owner. After condominium procedures are complete, The

Whitman Building LLC and the owners of the Yellowstone will purchase the lower level commercial areas, paying back a share of the costs.

Developer's fee: The Housing Association will be the developer of the project. \$172,180 of the cost listed as part of this fee will go back into project costs. The project will not be self-sufficient for some time, and even though the Association is non-profit, they must be able to ensure operating costs. Federal guidelines allow 12% for this type of project; this amount is slight over half of that--about 7%.

Demolition of Whitman: Costs to demolish are estimated between \$600,000 and \$750,000. The foundation would have to remain because of the connecting properties. If the property is condemned by the City and the owner does not demolish it, the City would incur those costs, place a lien on the property, and seek to recover the costs when the property is sold.

Similar projects: Boise has completed a 200-unit project in the old "Courthouse Complex." Twin Falls is asking the Association for assistance with a project for these types of housing units. The Association is already operating 950 units of this type state-wide.

Budget: The cash balance for 2006 includes approximately \$900,000 which must be retained in reserves pursuant to bond documents. It wouldn't be possible to fully fund the request in 2006 without a tax anticipation note, a temporary loan, etc. Bowden responded by noting that only \$172,000 was needed in 2006; the remainder could be deferred until 2007.

Additional non-PDA comments/responses: Response to question about whether a housing project meets mission or goals of PDA: the project is a "perfect fit" within the responsibilities enumerated in the State Code; it's "classic" urban renewal. Response to question as to inclusion of the Yellowstone: both buildings must be included to meet the minimum requirement of 40 housing units, but 80% of the funding will be for Whitman rehabilitation. There's insufficient cash flow for a private developer to obtain financing and operate this project without assistance from other agencies. Whitman Building LLC member Tim Whiteus stated that if the PDA members were concerned about providing financing for something which would mean huge profits, the LLC would be willing to sign an agreement to provide an investment return to PDA by means of giving back "excess" .

There being no further questions, the Chair called for motions on the subject. **It was moved by Chase, seconded by Ricks** to approve expenditure of \$250,000 in 2006 and the balance of the request in 2007 with the *proviso* that "excess" profits, as mutually determined, would be returned to PDA. Further discussion, setting out pros and cons of the project, ensued regarding PDA mission, jobs creation, costs vs. benefits, and the like. Upon the call for the question, Chase, Ricks, Johnson, and Brower voted in favor; Monroe, Guthrie, Brown, Schroeder, and Neuhardt voted in opposition. Motion failed.

A 10-minute recess was called at 12:30.

3. North Yellowstone District financing. Bruce Allred of Wells Fargo Bank discussed their review of the financing options for the infrastructure project. Earlier discussion about a 15-year payback is not possible; there will be insufficient revenues to make payments at that rate. Much depends on the rate of build-out, the actual valuations, and the resulting revenue stream. Assuming complete build-out occurs by the end of 4 years and final valuation of \$41 million, a 17-year pay-back is feasible. They recommend either a 20-year or a 24-year payout. Variable-rate issues are also a possibility, as is a mixed variable/fixed rate issue. Fixed-rate bonds cannot be paid off earlier than 10 years from inception. Variable-rate bonds can be retired at any time.

Board can review the pros and cons of fixed rate issues as opposed to variable rates. It's also possible, for an additional fee, to set a maximum increase within a specified period for a variable-rate issue. Specifics will be discussed with a subcommittee (Chase, Brower, Burstedt, and other interested members) and Bruce or Jim Wrigley will return next week to review the projections with the full Board. At that time, the Board will approve the bonds, authorize all necessary financing documents, including resolutions and the bond ordinance, following which the petition for judicial validation can be filed. This meeting will be adjourned for one week, and reconvened at 10:00 on September 8th to consider the various projections.

At this point, an alternate proposal to set aside the Whitman and Yellowstone buildings in a separate RAA and reimburse the developer from tax revenue generated after build-out was presented. Brief discussion ensued. The Chair inquired as to whether anyone who voted in opposition to the previous motion wanted to propose a motion to reconsider. Hearing none, the Chair called for any additional items from Board members prior to adjourning to the next meeting.

4. Executive Session. It was MSC (Brown, Schroeder) at 1:20 p.m. to adjourn into executive session, pursuant to Idaho Code Section 67-2345 to consider acquisition of property not owned by a public agency.

Meeting reconvened at 1:35 p.m. No further business or discussion was held. The Chair then adjourned the meeting to the previously-discussed time certain: Wednesday, September 8, 2004 at 10:00 a.m. in the Council Chambers at City Hall.

Jayna Valentine