

**POCATELLO DEVELOPMENT AUTHORITY MEETING MINUTES**  
**January 21, 2015**

**Members present:** Brian Blad, Darlene Gerry, Cynthia Hill, Michael Orr (Chair), Linda Tigert, Ryan Ward, and Caroline Wight.

**Members absent:** Larry Fisher, Russell Meyers, and John Regetz (ex officio)

**Staff present:** Lon Crowell, Executive Director; Dean Tranmer, Kirk Bybee (left at 11:30am) and Tiffany Olsen, City Legal Dept.; and Joyce Stroschein, City Finance Dept.

**Chair Orr** called the meeting to order at 11:05 a.m.

Introductions, Conflicts, and Agenda: Guests in attendance included Mark Lupo and Jim Burdick with Idaho Power Company (left at 11:50am), Attorney Craig Christensen (left at 11:20am), and Kathleen Lewis and Susan Lorenz with SICOG (left at 11:45am). There were no conflicts with the Agenda items, nor were there any deletions to the Agenda. Chair Orr moved Agenda Item No. 8 to be heard after the SICOG Grant Agenda item.

**1. Action and Discussion Items:**

Agenda Item No. 1: Positron, Inc., Foreclosure Update by Attorney Craig Christensen. PDA Attorney Craig Christensen summarized the history of how the PDA got to the position it is in with regard to the foreclosure of Positron's leasehold interest in the Idaho Accelerator Center. He further explained there are two methods to foreclosure, non-judicial and judicial. The non-judicial course is not viable as the underwriters at Alliance Title Company were not comfortable due to the inconsistency of dates within the Promissory Note, Deed of Trust Note, and the Economic Development Agreement, as three different dates are referenced for satisfaction of the loan. The judicial course is the PDA's only option for foreclosure. Accordingly, Christensen has prepared a draft Complaint and Lis Pendens to file with the District Court. The Complaint will be modified to incorporate a count for obtaining an access easement. ISU has been cooperative thus far and will sign the necessary documents to provide access to the building. The costs of the judicial foreclosure action are estimated to be between \$3,500 and \$5,000. This would include the preparation of legal documents, filing fees, process of service, Summary Judgment proceeding, and recordation of the Lis Pendens. Christensen has provided for a reimbursement of attorney's fees and costs in the Complaint to the prevailing party in hopes of recovering some monies for the PDA. **Chair Orr** asked what the PDA will get out of going this route? Christensen replied the rental income from future prospective tenants (ISU contends they have two or three interested individuals) or the sale of the improvements on the property. **R. Ward** asked if ISU was interested in purchasing the leasehold interest in the facility. Christensen promptly replied in the negative. ISU (via David Alexander) has no interest in foreclosing on their own and it is suspected for political reasons. **Chair Orr** excused Christensen from the meeting and the Board moved on to the next agenda item. No motion was made. Secretary Olsen notes the Board previously approved at its April 16, 2014 meeting to approve the payment to Christensen to proceed with either a non-judicial or judicial foreclosure and not to exceed a retainer amount of \$5,500. Given Christensen's estimation of between \$3,500 and \$5,000, no additional motions are needed at this time for authorization of payment. A motion will need to be made to pursue foreclosure through judicial proceedings at the next meeting.

Agenda Item No. 2: SICOG Grant Update by Susan Lorenz and Lon Crowell. Susan Lorenz requested the Board withdraw the EDA Grant from the Airport Development project due to two reasons; (1) Initially, City Staff represented the total amount of the infrastructure improvements available for the EDA Grant would total approximately \$1.5M. After a more thorough review, it appears the EDA Grant amount is really more like \$600,000. Given this is a 50% matching grant, \$300,000 is too small of an EDA grant and would not be worth the costs of moving forward; and (2) Lorenz explained there are time constraints with an EDA Grant. The EDA approves and funds the grant on its timeframe; not necessarily what will fit for our project. It could be months after the grant is awarded before it will be funded. With the information she has received from City Staff, she realizes time is of the essence. **L. Crowell** stated this project has evolved daily for over year and a half. There has been way too many approvals needed for every step along the way and that process has now taken longer than expected and is holding up the project from moving forward.

**D. Gerry** wondered where we are at in the development of the Airport? Her last recollection was at the December PDA Meeting, the Board was hard pressed to sign a Loan Agreement or risk the City/PDA would lose the project. **B. Blad** explained that the project is already 6 weeks behind schedule for ordering the transformer due to Project Pipe's inability to execute a Lease Agreement with the City and additionally no contracts have been entered between Project Pipe and their building contractor. Besides those issues, it has become unclear who is authorized to negotiate and make commitments on behalf of the PDA (the Chair or Executive Director?) **L. Crowell** feels like he has negotiated on behalf of the PDA and has continually informed the PDA of the ongoing developments at the Airport; however the Board disagreed. **B. Blad** elaborated that Idaho Power needs at least 54-56 weeks to order, manufacture, and install the transformer. With Project Pipe's demands of being operational by January 1, 2016, achieving their operational date is virtually impossible given Idaho Power's timeframe. **D. Gerry** reminded the Board the improvements at the Airport are not being done for Project Pipe, they are being done for Economic Development at the Airport and are being paid for by Project Pipe's increment contributed to the TIF. If Project Pipe is reducing their numbers of employees as J. Stroschein represented she had heard, then the taxable valuation could also decrease if the building size is reduced. **D. Gerry** clarified with J. Stroschein that if the EDA Grant was withdrawn, the City would not be required to borrow additional monies from Citizens Community Bank. It was then **MSC (D. Gerry, C. Hill)** to withdraw the EDA Grant from the Airport project.

Agenda Item No. 3: Idaho Power Construction Agreement and Approval to Purchase Transformer. **L. Crowell** requested the Board make payment to Idaho Power for the transformer bid/purchase but only if Project Pipe signs a Lease Agreement with the City. **B. Blad** added the payment should also be contingent upon the Loan Agreement being executed with Citizens Community Bank. Crowell reminded the Board that representatives from Idaho Power were in attendance to answer any questions on the Construction Agreement. **L. Tigert** sought clarification that the scope of work was for the bid, purchase and associated work with the transformer and not with the distribution line. M. Lupo confirmed. **D. Gerry** noted the dates listed within the current Agreement are in 2014; the requested execution date and Table 1 (Estimated Schedule). M. Lupo explained those would be amended to a current 2015 schedule. **L. Tigert** asked J. Burdick if the bid acquired last fall/winter was no longer valid and a second bid was necessary, is it likely the PDA could see an increase in price? Burdick explained it is not likely but possible. Burdick's concern was if a re-bid was necessary, meeting the stringent time

demands of Project Pipe for an estimated completion date of December 31, 2015 is not expected. Burdick will check the current bid to see if it included a sunset clause and if so, advise the Board (via Chair Orr and L.Crowell) of that date. No motion was made at this time. The Board continued moving forward with the Agenda items in the order contained in the Agenda. See Agenda Item No. 8 for the MSC related to this Agenda Item No. 3.

Agenda Item No. 4: Minutes. The Minutes of the regularly scheduled meeting of December 17, 2014 were reviewed. It was **MSC (R. Ward, B. Blad. Tigert abstained)** to approve the Minutes as presented.

Agenda Item No. 5: Financial Report. **J. Stroschein** presented the Financial Report for the month of December 2014. At month end, the Authority had cash on hand of \$4,902,295.63. The checking account balance was \$2,676,611.99, the savings account was \$745,990.02, and cash being held by Zions Trust amounted to \$1,479,693.62. The Authority recognized minor financial activity during the month of December. The Authority received revenues totaling \$2,268.08 of which \$857.10 was interest earnings on cash invested and property taxes. The \$1,000.00 payment received on the note receivable applied \$179.66 towards the principal of the note. Property tax revenue totaled \$1,231.32 for the North Yellowstone District. Expenses for the month totaled \$189.60 which was an administrative expenditure for lunch. Year to date revenues (the first quarter) of \$2,911,328.07(see page 3) are not greater than expenses of \$4,219,574.94. The General Fund District has a net income year to date of \$2,901,664.69. It was **MSC (C. Hill, L. Tigert)** to approve the Financial Report as presented.

Agenda Item No. 6: Payment Requests/Reimbursements. J. Stroschein presented a request to reimburse Tiffany Olsen \$16.81 for beverage for the PDA Board Members. It was **MSC (C. Hill, L. Tigert)** to reimburse Tiffany Olsen \$16.81 for PDA beverages.

Agenda Item No. 7: Petersen Incorporated: Update per semi-annual review of Economic Development Agreement. Petersen, Inc. provided a power point presentation documenting their performance which was presented to the Authority by **L. Crowell**. Petersen currently has 58 positions on the payroll, with 54 over \$14.00 and an average wage of \$20.56 per hour. Work orders have slightly increased with several bids recently being awarded. **B. Blad** asked what happens if Petersen fails to meet the requirements of the Economic Development Agreement. **L. Crowell** explained if Petersen defaults, it will be obligated to repay the funds provided by the Regional Development Alliance, Inc., at an annual pro-rata rate, based upon the length of time Petersen fails to meet criteria for qualifying full time employment positions herein described within any one year period, for the term of Petersen's operating commitment. **R. Ward** reminded the Board that Petersen has always been good in providing information when requested and has continued to operate a successful facility.

Agenda Item No. 8: Approval of Loan Documents with Citizens Community Bank for \$5,750,000.00 for Payment of Infrastructure Improvements within the Pocatello Regional Airport TIF District. **Chair Orr** asked the Board for a motion to approve the loan documents with Citizen's Community Bank for \$5,750,000.00 for payment of infrastructure improvements within the Pocatello Regional Airport TIF District on the condition that a Lease Agreement has been signed by Project Pipe and that Project Pipe has entered into a Construction Agreement/Contract with its Developer/Contractor for the project. He stated there has been several miss-steps on the project and if those get resolved and the aforementioned contracts are

signed, it would be in the best interests of time to already have the Board's approval to sign the Loan Agreement. Although there was some issue with whether or not a Development Agreement would be necessary with the PDA, there is no way to tie company to the PDA. Essentially, he thought it more appropriate for an Agreement between the City and the PDA. **R. Ward** confirmed that the Development Agreements executed in the past have only been between the prospective company/developer and the PDA. **Chair Orr** and **L. Crowell** reiterated this is a unique situation where the owner of the property is the City and the City is also the developer. **B. Blad's** interpretation from the December Board Meeting was the Board requested a Development Agreement between the PDA and Project Pipe and didn't want to move forward without one. **D. Gerry's** concerns were strictly with the Loan Agreement modifications and if those were made, she was ready to move on the project; the Development Agreement was not a deal breaker for her. **D. Gerry, L. Tigert** and **C. Wight** are all concerned that the timeline is already behind given the Idaho Power transformer order so how is it appropriate for the PDA to commit to a loan amount if Project Pipe may not make their operational date deadlines. **B. Blad** clarified with **R. Ward** that the terms of the Loan Agreement do not have an expiration date regardless of when the document is signed. **B. Blad** made a motion for the Board to give the Chairman the authority to initiate conversation with the Mayor and Project Pipe wherein the PDA authorizes the Chair to sign the Loan Agreement once Project Pipe has signed a Lease Agreement with the City, a Construction Contract with a Contractor and the financial review of the increment valuation is confirmed by J. Stroschein. No second was made and the motion failed. **B. Blad** advised the Board there are additional issues with the FAA. The City used to fall within the jurisdiction of the Seattle, Washington office; now the City is mandated by the Helena, Montana office. The representatives in Helena are imposing very different restrictions on the Airport property and are making negotiations very difficult. There will be no development at the Airport until this issue is resolved. Given the discussion, **D. Gerry, L. Tigert** and **C. Wight** did not feel comfortable giving the Chair authority to sign any documents without a special meeting to verify tax increment valuation figures and other relevant information/updates. **R. Ward** added even if the Loan Agreement is signed, the loan is set up as a draw and you don't have to spend the money right away. **L. Crowell** noted that immediately upon signing the Agreement with Idaho Power, \$3.1M will be paid for the transformer. It was **MSC (D. Gerry, B. Blad)** to (1) verify the tax increment valuation numbers with Project Pipe and make sure J. Stroschein confirms the valuation is sufficient to pay the loan, and (2) if the valuation numbers are sufficient to pay the loan, allow B. Blad and Chair Orr to relay to Project Pipe that the PDA is confident it will enter into the Loan Agreement with Citizens Community Bank for \$5,750,000.00 and the Construction Agreement with Idaho Power, on the condition that Project Pipe has entered into a Lease Agreement with the City and entered into a contract with a Developer/Contractor for construction. A special meeting shall be noticed for Monday, January 26, 2015 at 9:00 a.m. to relay to the Board the above conversation and information and if applicable, obtain a vote at that time to enter the Loan Agreement and Construction Agreement.

## 2. Adjournment:

There being no additional business on the Agenda and no matters for executive session, it was **MSC (L. Tigert, B. Blad)** to adjourn the meeting at 1:10 p.m.

By: Tiffany G. Olsen  
Tiffany G. Olsen, Secretary