

POCATELLO DEVELOPMENT AUTHORITY
Reconvened Meeting adjourned from September 1, 2004
Minutes for the session held September 8, 2004

Members present: Terry Brower, Steve Brown, Roger Chase, Jim Guthrie, Darsi Johnson, Ken Monroe, Harry Neuhardt, John Ricks

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

1. Preliminary matters. The meeting was reconvened and called to order by Chairman Neuhardt at 10:01 a.m.

2. Motion to Reconsider. Prior to addressing the bonding option, K. Monroe, who voted in opposition to the Whitman/Yellowstone funding request at the last meeting, **moved for reconsideration (seconded by H. Neuhardt)** of the failed motion regarding the Whitman/Yellowstone funding request. Motion carried unanimously.

It was then **moved by Chase, seconded by Ricks** to grant the funding request, but split the payment between 2005 and 2006, i.e. \$250,000 in 2005, and \$263,000 in 2006, with the provision that the developers for the commercial portion of the Whitman would agree to "refund" excess revenue to the PDA.

Discussion: D. Johnson noted that "excess" was a nebulous term and needed to be clarified by the Board as a whole prior to having legal counsel prepare any agreement, so that there was no question as to the triggering mechanism or the amount. After discussion, members agreed to specify that the agreement should define "excess" as any returns in excess of 5% above the initial investment. D. Tranmer to draft the document for signature by the Chair.

A **substitute motion** was then made by **Guthrie, seconded by Neuhardt**, to continue with plans to retire the Central Corridor District in 2009, except for the Whitman and Yellowstone buildings, which would remain a Revenue Allocation Area until 2017, and to reimburse the developer from those revenues—the developer providing its own financing up front for the "gap" amount.

Discussion: In response to inquiries about procedures, legality, etc., D. Tranmer explained that if the City Council voted to do so, another modification ordinance could be passed to retain only that portion of the revenue allocation area which encompassed the two buildings (plus some surrounding property or right of way to connect them) and to extend the life through 2017. The remainder of the property would be "retired" from the District and the tax revenues from the buildings used to reimburse the developer. Forming a new district is not feasible because the post-development increment would be negligible. J. Guthrie provided an amortization schedule which details payments of approximately \$24,800 semi-annually through 2016. {See attached} Whitman LLC member, Tim Whiteus noted that because the request from the Housing Association was specifically for "gap" financing, it was likely that another source was not available to provide a loan which could be repaid as proposed. Questions were raised about the possibility of a compromise. For example, funding outright only a portion of the request and using increment for reimbursement might be more financially feasible for PDA. T. Whiteus explained that in order for the Housing Association to apply for the tax credits, without which the project isn't possible, all funding must be committed at the time of application. **In response to the call for the question on the substitute motion, Guthrie, Brown, and Neuhardt voted in favor; Monroe, Chase, Johnson, Ricks, and Brower in opposition.**

Discussion regarding the first motion was then resumed. S. Brown expressed disappointment and anger with recent comments and news reports characterizing this Board as not being willing to invest in the future of downtown. PDA and others should take note of the fact that half of the money available for the Central Corridor District has been spent or allocated

for projects in the downtown area—9 million dollars should not be belittled or ignored; it's a huge investment made at the expense of other worthwhile possibilities which cannot now be funded with the Board's limited resources. J. Guthrie noted that he, too, believes the project itself to be worthwhile, but has reservations about the funding. He also stated that it was important to remember that disagreement among any group should be viewed as healthy and a means for expanding viewpoints—that all members of any group benefited from open discussions without acrimony, and that members of this Board all had the best interests of the community in mind. D. Johnson agreed, and pointed out that it was noteworthy that Commissioner Guthrie, in spite of reservations about funding capability and retiring districts as early as possible, went to the effort to suggest a means of funding through reimbursement of this project. H. Neuhardt noted that public personal attacks were inappropriate and not likely to lead to good relations in the future. He then asked whether there was additional discussion on the motion before the Board; hearing none, the question was called.

Voting in favor of the motion made by Chase and seconded by Ricks (see first motion above) were Chase, Ricks, Johnson, Monroe, and Brower. Voting in opposition were Brown, Guthrie, Neuhardt. Motion carried.

Minutes will not be available in time for the record of approval to be included with the application. Therefore, members concurred that the Chair should provide a letter indicating the Board's commitment to the \$513,000.00 expenditure.

Commissioner Johnson also express concern that better efforts be made in future to inform Board members earlier if and when items are to be reconsidered. Chairman Neuhardt extended apologies to those who had not received timely notification.

3. North Yellowstone bonding possibilities. Bruce Allred from Wells Fargo Bank distributed information detailing bond re-payment schedules for fixed-rate, variable-rate, and mixed fix/variable-rate issues. All scenarios are fiscally conservative in that they reflect a 24-year payout on approximately \$7.4 million (\$6 million construction, plus reserves, bond costs, first year's interest, etc.) because of the uncertainty about build-out and ultimate valuation. He reiterated information from the previous session that any fixed rate bonds cannot be paid off earlier than 10 years after sale; variable-rate bonds are structured so that principal payments can be made at any time. Variable rate schedules assume the average rate from the past 11 years, approximately 3.5%. With a mixed rate, if the variable rate begins to rise too sharply, the variable rate portion can be rolled over into the fixed. In response to a question regarding whether it would be possible to obtain a cap, Allred explained that it was possible but somewhat costly--a cap at 5% could be purchased for 2% per million dollars, for example. In regard to the fiscally conservative approach, he also provided information showing "excess" revenue availability for early defeasance. Pay-out on a fixed-rate could be achieved at the end of 2017, for instance, if revenues above the payment schedule were to be banked, gather interest and not spent until sufficient was available for total repayment. After reviewing scenarios for re-payment under variable and mixed schedules, it appeared that repayment would be possible at approximately the same time, regardless of rate style.

At this point, **it was MSC (Chase, Ricks)** to approve financing documents, the resolutions, and accompanying ordinance necessary for a \$7.38 million dollar bond issue repayable on a 24-year amortization schedule, with a provision for repayment of principal at any time after the first ten years. Commissioner Guthrie noted for the record that his vote was to be construed in favor of the fixed-rate scenario, but that he prefers the 15-year payout (17-year district because payout begins 2 years after inception) that was previously discussed. He vigorously supports all efforts to pay off the bonds at the earliest possible time and retire the District. Consensus was that early pay-off was desirable.

Legal counsel was directed to complete all procedures, documents, etc. necessary for the filing and presentation of a petition for judicial validation. Fees required for filing are to be provided as needed.

There being no further business, the meeting was adjourned at 11:15 a.m.

