

POCATELLO DEVELOPMENT AUTHORITY MEETING MINUTES
November 18, 2015

Members present: Chad Carr, Larry Fisher, Cynthia Hill, Russell Meyers, and Michael Orr (Chair).

Members excused: Thomas Ottaway and Scott Smith

Members absent: Howard Manwaring and Brian Blad

Staff present: Lon Crowell, Executive Director; Dean Tranmer and Tiffany Olsen, City Legal Dept.; Merrill Quayle, Development Engineer, Joyce Stroschein, City Finance Dept., and Mike Ennis (ex-officio; Bannock Development Corporation).

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

Introductions, Conflicts, and Agenda: There were no guests in attendance and no conflicts pertaining to the Agenda. **Chair Orr** advised the Board there would not be an executive session as noticed in the Agenda but that there was some interest in the Hoku site.

1. Action and Discussion Items:

Agenda Item No. 1: Minutes. The Minutes of the regularly scheduled meeting of October 21, 2015, were reviewed. It was **MSC (C. Hill, B. Blad)** to approve the October Minutes as presented.

Agenda Item No. 2: Financial Reports. **J. Stroschein** presented the Financial Reports for the month of October 2015. At month end, the Authority had cash on hand of \$5,192,163.90. The checking account balance was \$2,473,209.29, the savings account was \$746,176.44, and cash being held by Zions Trust amounted to \$1,972,778.17. Pocatello Development Authority recognized normal financial activity during the month of October. The Authority received revenues totaling \$2,545.31 of which \$864.28 was interest earnings on cash invested. The \$1,000.00 received on the note receivable applied \$187.29 towards the principal of the note. Property tax revenue totaled \$1,237.34 for the North Yellowstone District. Expenses for the month totaled \$554,194.28. The expenses included a payment to T-O Engineering for the Environmental Assessment in the amount of \$4,052.50, a payment of \$250,000.00 was made to Alameda Plaza LLC for the demolition of the Alameda Plaza and a payment of \$300,000.00 towards the purchase of the HOKU property. The administrative expense was for lunch in the amount of \$141.78. Year to date revenues of \$2,545.31(see page 3 of the financial report) are not greater than expenses of \$554,194.28. Overall Net Loss of \$551,648.97. **J. Stroschein** again reiterated that the negative balance depicts spending of reserves. It was **MSC (B. Blad, L. Fisher)** to approve the October Financial Report as presented.

Agenda Item No. 3: Payment Requests/Reimbursements.

(A) Invoice from Craig Christensen, PDA Counsel for judicial foreclosure proceedings related to the Position loan/leasehold interest: Mr. Christensen's invoice for \$24,779.00 was discussed. A significant contributing factor for the relatively high invoice is due to Positron's President, Erik Oaas, being difficult to work with and often times causing the foreclosure process to be more complicated than necessary. In addition to the complexity, the legal descriptions had to be rewritten which took the better part of a month. **R. Meyers** asked if the Board had approved to pay up to a certain amount? **T. Olsen** reviewed the Minutes of previous meetings and the only

discussion regarding a “cap” amount was for the non-judicial foreclosure. Chair Orr explained the proceedings are nearly finished and the last invoice from Mr. Christensen should not near as large. It was **MSC (B. Blad, R. Meyers)** to approve Mr. Christensen’s invoice in the amount of \$24,779.00 to be paid from the PDA General Fund.

Agenda Item No. 6: Positron Facility Update and Review/Approval of MOU with ISU.

Chair Orr moved to Agenda Item No. 6 as it was related. He informed the Board that since the PDA has acquired the building of which Positron occupied, the PDA is now responsible for the accompanying utility fees. ISU attorney, David Alexander, prepared a MOU for the PDA’s signature which requires the PDA to pay a percentage of the utilities (power, sewer, garbage and water) since the ISU Accelerator Center and the Position building are not individually metered. During a meeting with ISU representatives and PDA Staff, Chair Orr asked ISU if it would be interested in purchasing the PDA’s interest in the facility. David Alexander will vet that option to purchase through the University’s Public Works Department and advise the Board thereafter. It was **MSC (B. Blad, R. Meyers)** to authorize Chair Orr to sign the MOU with ISU and to pay the monthly utilities beginning September 1, 2015 from the PDA General Fund.

Secondly, the Board asked for a status on the RFP for a Broker to list the Hoku property and secure a lease and/or purchaser for the Positron facility. **L. Crowell** advised the RFP has been issued, is going to be published in the Idaho State Journal on November 15 and 29 and will close December 10. The Board will be in a position to review and award the RFP to a Broker at the December PDA Meeting. **J. Stroschein** explained that in order to close the fiscal year 15’s financials, she will have to discuss how to treat this acquisition of the Positron facility/leasehold interest for the financial audit. She is not sure what the value of the facility/leasehold interest is. **L. Crowell** thought the selected Broker could determine a value and if not, perhaps an appraisal should be completed. **C. Hill** asked what the total investment in the facility/leasehold interest is. **J. Stroschein** responded with \$400,000 plus attorney’s fees so perhaps somewhere in the neighborhood of \$430,000. **B. Blad** wondered if it wouldn’t be better to have an appraisal completed so the PDA was transparent in the price. **L. Crowell** inquired as to why the PDA’s financials are incorporated with the City’s if the PDA is a separate body. **J. Stroschein** explained that the PDA is a discrete component unit of the City and it is required within the financials. **J. Stroschein** will consult with the Auditor and provide the Board with more valuation information at the December meeting.

Agenda Item No. 3: Payment Requests/Reimbursements.

(B) It was **MSC (C. Hill, R. Meyers)** to approve the paper/printing costs associated with the PDA packet as an administrative expense to be paid from the General Fund each month.

Agenda Item No. 4: Transfer of 10% Administrative Fee from Active Districts to the General Fund and Recommendation to Collapse the Consolidated Central Corridor Urban Renewal Area to the General Fund within the Financial Statements.

J. Stroschein recommended the Board transfer the statute allowed 10% of the district balances from the open districts which are the North Yellowstone District (\$130,961.38) and the Naval Ordnance District (\$21,855.78). In addition to this transfer, also transferring the \$11,000.00 left in the Central Corridor District for a transfer grand total of \$163,817.16. The administrative fee contained in the Airport and North Portneuf Districts would be left in those districts as they are the most active at this time. It was **MSC (B. Blad, C. Carr)** to transfer \$163,817.16 from the various Districts to the General Fund as an administrative fee. **J. Stroschein** requested a formal

vote from the Board to collapse the consolidated central corridor URA to the General Fund for the financial statements. Said request was **MSC (B. Blad, C. Hill)**.

Agenda Item No. 5: Review of Outstanding Debts Owed to the PDA. **L. Crowell** summarized the BBAD Investments, LLC debt: In March 2004, the PDA entered into an Economic Development Loan Agreement which provided for two loans and one grant, totaling \$560,000. A grant of \$275,000 was given to ensure the project was feasible for BBAD. A \$85,000 loan was given for landscaping and other land improvements which was secured by Promissory Note. Staff's recollection is that this loan was paid. **J. Stroschein** will attempt to verify. A second loan was issued for \$200,000 and it was secured by Deed of Trust and a Promissory Note. Full payment was due upon the sale of the first property or on March 15, 2010, whichever occurred first. On April 20, 2011, the PDA sent a letter extending the due date to March 15, 2013 and added 5% interest per annum from March 15, 2011 until paid in full. On January 24, 2013 reminding BBAD of its payment obligation. The PDA met with BBAD on April 17, 2013 and extended the payment of the loan until the sale of the property, but not later than 5 years from April 17, 2013, to require that interest be brought current within 30 days and to require that payments of \$1,000 per month be made on the loan and accruing interest beginning June 17, 2013 until the principal is paid in full. The ultimate due date is April 17, 2018.

L. Crowell summarized the Tetridyn Solutions, Inc. debt: In September 2009, the PDA entered into an Economic Development Loan Agreement which provided for a \$50,000 loan which was secured by a Promissory Note. Payment on the loan was due September 25, 2010. At the November 17, 2010 PDA Meeting, the Board agreed to extend the length of the loan to October 25, 2011 and required payment of the first year interest in the amount of \$2,500 (which was paid on November 30, 2010). Interest on the loan would accrue at 5% per annum and all other terms of the original Note applied. No payment since November 2010 has been made. The signatory, Dave Hempstead, has since deceased. There is no open probate in the State of Idaho. The Idaho Corporation appears to be active and possibly still operating in Idaho Falls. T. Olsen will continue to research potential recovery possibilities.

L. Crowell summarized the Whisper Idaho, LP d/b/a Whisper Creek Log Homes debt: In May 2008, the PDA entered into an Economic Development Grant Agreement which provided for two loans totaling \$225,000. The PDA issued a check for \$75,000 immediately upon execution of the document and never did issue a check for the remaining \$150,000 since Whisper failed to meet the milestones outlined in the Grant Agreement. The PDA sent a letter on May 27, 2011 demanding payment. Whisper is rumored to have filed bankruptcy however T. Olsen could not locate a bankruptcy action in Idaho or Utah using PACER. There is some confusion among City Staff if this was considered a "grant" or a "loan". The "loan" was never reported in the PDA financials as a loan. It is the position of the PDA, it was a grant. It was **MSC (R. Meyers, B. Blad)** to cease attempts to recover these monies.

Agenda Item No. 7: Whitman Hotel Building Update. **J. Stroschein** advised she contacted Allen Collins, the Accountant for CMW, LLC, and obtained the depreciation and asset schedules for the Whitman building. She also analyzed the Sales Agreement Value documentation as well as the Basis in Property related to the transaction. She determined there was a loss of \$138,351.00 with the real estate transaction when sold to Whitman, LLC. She also noted that the basis in CMW, LLC property is as of December 2014 which means there would be additional depreciation reported in 2015. The amount of depreciation should not be greater than \$9,188.97 which represents the current year depreciation amount. This additional depreciation would not change the outcome of the sale from a loss to a gain. Therefore, it is her professional opinion,

this sale did not produce a gain and the PDA does not have a claim for revenues pursuant to the Memorandum of Agreement. **D. Tranmer** advised he believes the above obligation was limited to one transaction (ie. CMW, LLC and the future buyer; in this instance, Whitman, LLC). Therefore, no further obligations are required for the commercial area in future transactions. It was **MSC (B. Blad, C. Carr, Chair Orr opposed)** to have D. Tranmer compose a letter to CMW, LLC as formal satisfaction of PDA's expectations in relation to the commercial area of the Whitman Hotel.

Agenda Item No. 8: Naval Ordnance Plant Update. L. Crowell, Chair Orr and M. Quayle met with Earl Swift to discuss the meter request and to request Swift to provide a 10 year capital improvement plan for the Plant. **Chair Orr** explained this plan will allow the PDA to better understand the needs within the Plant and financially plan for the improvements. **B. Blad** summarized the projects completed at the Plant (ie. rail and road improvements) and how they have received positive feedback. **B. Blad** asked Chair Orr to mention to Swift that there seems to still be a parking issue at the south end; he thought the newly paved road was to alleviate some travel issues. **Chair Orr** agreed and will report to the PDA after he/Merril visit with Swift in December.

Agenda Item No. 9: Review of Site Readiness Property Evaluation Deliverable for the Pocatello Airport Business Park. L. Crowell was contacted by Idaho Power who was seeking permission to release this report to the State. He explained this document will be beneficial to any prospective company looking to locate at the Airport. The Board had no issue with releasing this report to the State.

Agenda Item No. 10: Legislative Update by Lon Crowell. L. Crowell provided a letter from Idaho State Representative Lance W. Clow and Idaho State Senator Mary Souza dated November 4, 2015. He explained urban renewal law is a difficult topic that is discussed annually and is presently being considered for significant amendment. However, it seems no matter how much good occurs or positive remarks are given, only the negative comments are portrayed. **B. Blad** advised the Board that he has a Resolution, which will be on the December 17th Council Agenda for adoption, supporting urban renewal law and economic development in Idaho as well as a letter signed by the City of Pocatello Council Members. He assured the Board that he and Lon are doing all they can to make a presence at the legislative meetings/sessions and encourage urban renewal at a local level.

Upcoming Events/Information:

1. **R. Meyers** requested an update on the Hoku site. **Chair Orr** advised the Board of an interested party but the details were still being worked out. At one time the interested party had asked to be at this PDA meeting, however, could not make it. Perhaps a special meeting will be called in the coming weeks.
2. **Airport Property Update.** The Airport has selected an appraisal firm experienced with both FAA and Tribal jurisdiction issues. The airport has submitted most relevant information to the appraiser, such as the pertinent deeds, and the appraiser is reviewing the data and developing a scope of work. Once we have clarified the SOW we will negotiate a price and timeline. David Allen estimates that we will receive the product by December 23 of this year.

3. **December PDA Meeting** will be moved to Tuesday, December 15, 2015 due to Chair Orr's inability to attend the meeting on Wednesday, December 16, 2015. B. Blad will be unable to attend.

2. **Adjournment:**

There being no additional business or need for an executive session, it was **MSC (B. Blad, R. Meyers)** to adjourn the meeting at 12:35 p.m.

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