

**POCATELLO DEVELOPMENT AUTHORITY
MEETING MINUTES
July 24, 2019**

Members present: Mayor Brian Blad, Matt Bloxham, Chad Carr, Jim Johnston (left the meeting at approximately 11:30 a.m.), Rob Lion, Thomas Ottaway, Scott Smith (joined the meeting by phone from approximately 11:30 a.m. to 1:25 p.m.), and Scott Turner

Members excused/absent: Terrel Tovey

Others present: Melanie Gygli, Interim Executive Director; Ashley Linton-Welsh, Pocatello Deputy CFO; Jared Johnson, Pocatello City Attorney; Merrill Quayle, Pocatello Public Works Development Engineer; Jeff Mansfield, Pocatello Public Works Director/City Engineer; John Regetz, Bannock Development Corporation (ex officio); Tiffany Olsen, Bannock County; Matt Parks, Stacey & Parks (by phone from approximately 11:30 a.m. to 1:00 p.m.); Meghan Conrad, Elam & Burke (by phone from approximately 1:05 to 1:25 p.m.); Raj Basu and Ben Krause, Solargise; several members of the public

Agenda Item No. 1: Call to Order and Disclosure of Conflicts of Interest. Vice Chairman Chad Carr called the meeting to order to 11:02 a.m. No conflicts were disclosed.

Agenda Item No. 2: Minutes. The minutes of the Regular and Executive Sessions of June 19, 2019 were considered. It was then **MSC (J. Johnston, R. Lion)** to approve the minutes as presented.

Agenda Item No. 3: Financial Report. A. Linton-Welsh presented the financial report for the month of June 2019. At the end of the reporting period, the Authority had cash on hand of \$3,425,480.48. The checking account balance was \$3,425,455.48 and the savings account was \$25.00. The Authority recognized financial activity as follows: revenue totaled \$12,486.73, of which \$989.50 was interest earnings on cash invested and property taxes, and \$2,250.00 in rental income from the Positron facility. Property taxes were received as follows: \$6,073.41 from the North Yellowstone District, \$281.30 from the Naval Ordnance Plant District, \$2,522.17 from the North Portneuf District, and \$378.35 from the Airport District. Expenses totaled \$79,673.12, including administrative and professional service expenses of \$3,083.90. Economic development grants of \$44,040.60 and loans of \$32,548.65 were issued. The PDA received \$1,000.00 for trustee's fees paid in error. Linton-Welsh noted the next major tax remittance is anticipated in the next few days.

Following discussion, it was then **MSC (J. Johnston, M. Bloxham)** to approve the June 2019 financial report as presented. Board members expressed appreciation for the list of general fund projects and disbursements.

Agenda Item No. 4: Payment Requests/Reimbursements. The following invoices were reviewed for payment:

- a. \$2,608.40 from General Fund to Elam & Burke for legal fees re: Northgate TIF District creation.
- b. \$71.50 from North Yellowstone District Fund to Elam & Buke for legal fees re: North Yellowstone District closure.
- c. 473.00 from General Fund to Elam & Burke for legal fees re: Special General Counsel.
- d. \$1,520.00 from North Portneuf District Fund to Stacey & Parks for legal services re: North Portneuf TIF District.

Gygli reported the invoices accurately reflect work performed or goods and services provided, and are appropriate for payment. It was then **MSC (M. Bloxham, T. Ottaway)** to approve the payment requests.

Agenda Item No. 5: Disbursements Under Previously Approved Grants & Loans.

- a. **BGS Holdings:** Disbursement of \$2,086.00 under the loan agreement approved by the Board on 11/1/18 and \$650.00 under the grant agreement approved by the Board on 10/17/18 was requested.
- b. **Simmons Surgical:** Disbursement of \$9,597.83 under the grant approved by the Board on 12/19/18 was requested.

Gygli reviewed the requests, explaining that permits and inspections have been completed where required. For activities not requiring a formal permit, she and Quayle have inspected the work. All requests appear appropriate for the work performed. After review and discussion, it was **MSC (M. Bloxham, J. Johnston)** to authorize the payments described above.

Agenda Item No. 6: BGS Loan Subordination Request. **Steve Wright** updated the Board on progress on their project. He anticipates a soft opening in the next 30 days, with full opening likely in September. They have been working with Bank of Idaho to secure funding needed to finish the project and provide some operating capital (loan amount \$325,000.00). The bank's requirement is that their lien be in first position, necessitating subordination of the PDA's loan; otherwise, the bank will not make the loan. Wright stated his memory of the appraisal (he will provide a copy to the Board) is for \$670,000.00, so both the bank and PDA will be secured in the event of default. They have no other funding options. **Gygli** noted that no title searches are done as part of PDA-supported projects so there is no information on what position PDA loans occupy. In addition, some are not secured by a deed of trust. Board members discussed the subordination request, including the need to protect the PDA's position. Following discussion, it was **MSC (M. Bloxham, R. Lion)** to approve subordinating the PDA's loan to that of Bank of Idaho, authorizing the Chair/Vice Chair's signature on necessary documents.

Agenda Item No. 7: Petersen Inc. Semi-Annual Report. **Gygli** related Petersen's latest report. They remain in compliance with the grant agreement, having 65 full-time employees at or over \$14.00 per hour, where 50 is required, and an average wage of \$23.38 per hour.

Agenda No. 8: North Yellowstone District. **Gygli** reported the budget amendment for the termination will be presented at a public hearing at the August meeting. Then any remaining funds will be returned to Bannock County for distribution to the various taxing entities.

Agenda Item No. 9: Northgate TIF Plan. **Gygli** stated there is nothing new to report.

Agenda Item No. 10: Naval Ordnance District. **Gygli** reported the paving project, approved at the June meeting, has been completed and payment has been requested in the amount of \$134,850.00. **Quayle** reported he inspected the project a couple of times and the work was done as proposed. After brief discussion, it was **MSC (J. Johnson, R. Lion)** to approve disbursement of the requested funds.

Agenda Item No. 11: Executive Session – North Portneuf TIF District. To allow discussion regarding pending litigation, **Carr** called for an executive session. Pursuant to I.C. §74-206(1)(f) to communicate with legal counsel for the PDA to discuss the legal ramifications of and legal options for pending litigation, or controversies not yet being litigated but imminently likely to be litigated, at approximately 11:25 a.m., **it was moved and seconded (R. Lion, B. Blad)** to adjourn to executive session pursuant to Idaho Code

§74-206(1)(f). **The motion passed by roll call vote (Ayes: Lion, Blad, Bloxham, Carr, Johnson, Ottaway, Turner. Nays: None.)** Johnston left the meeting at approximately 11:30 a.m. and Smith joined the meeting by phone at that time. At approximately 12:23 p.m., the Board reconvened to regular session.

Following the executive session, the Board took a brief break and **Carr** welcomed those who had been dismissed back to the meeting.

Agenda Item No. 12: North Portneuf TIF District. Carr turned time over to **Raj Basu** to explain the request by Solargise for an extension of the time in which to close on the property. The default cure period expired on 7/22/19. **Basu** explained as described in his letter that the additional time is needed because they have decided to change their plans. Originally, the plan was to remove the polysilicon plant and build a solar panel plant. They have determined now that the best course is to not only build the solar plant, but to restart the polysilicon plant and add ingot and wafering plants. This change in plans have delayed them to the point that they need an additional 90 days before closing on the property.

Board members strongly expressed their concerns about Solargise's failure to perform over the last many months and questioned why the property purchase has not been completed, despite the change in plans, since either plan required ownership of the property. **Basu** again stated that the change in plans require different plans, engineering, site drawings, before the additional required funding could be obtained. He has been working with Bannock County on the issue of the delinquent taxes, and is working to address the ownership dispute with Celtic Life. He wants to have these issues resolved before completing the property purchase.

In response to questions from Board members, Basu stated his connection to VA Metals is that he loaned them funds, has no connection to Celtic Life, and has continued to invest in the site. Approximately \$1 million in engineering and design has been spent but no capital improvements have been made, and staff on the site. Much of the existing infrastructure can be used in their future plans, his investors are aware of the tax and lawsuit issues, he plans to pay the 2015 taxes by the deadline of 8/19/19 and intends to recoup those funds from VA Metals. It would be difficult to complete financing arrangements in less than 90 days.

Board members again expressed their frustration with lack of performance by Solargise and concern that granting any leeway will only continue the delays with no resolution in sight. Having this situation continue even for another 90 days is too long to inflict on the community. They questioned why potential investors would not be willing to purchase the property in order to protect the project going forward.

Basu again stated their intention to pay at least the 2015 taxes by the 8/19/19 deadline and pay the remaining outstanding taxes, together with the full purchase price, at the time of closing. However, he needs the additional 90 days in which to finalize financing and planning. He questioned what would be needed to show goodwill.

Parks reminded those present of the \$150,000.00 performance guaranty and up to \$50,000.00 to cover legal fees that will also be required at the time of closing.

Board members discussed the issue at length, considering the tax liability, impact on the community, potential of requiring additional earnest money, as well as an extension fee. It was then **MSC (R. Lion, M. Bloxham)** to extend the date for closing to 8/19/19 at 5:00 p.m., at which time payment of the full

purchase price, plus any other amounts called out in the DDA (development guaranty and legal fees), and all delinquent taxes and related interest and fees owed to Bannock County will be required, subject to receipt by the PDA of \$400,000.00 by 8/2/19 at 5:00 p.m., which amount represents \$300,000.00 in additional earnest money and \$100,000.00 extension fee, both nonrefundable if closing is not accomplished. Failure to comply results in termination of the DDA. Parks was authorized to transmit this formally to Basu.

Basu stated he will need to call involved parties back from holiday to meet this deadline.

Agenda Item No. 13: Positron Building. **Meghan Conrad** joined the meeting by phone. **Gygli** reviewed information from Idaho State University (ISU) regarding valuations of the facility. The PDA's ownership is of the improvements on ISU's property. The PDA has expended approximately \$550,000.00, including the original loan, interest up to the foreclosure process, legal fees, etc. **Conrad** reviewed Idaho Code regarding property disposition by urban renewal agencies, explaining that there is not direct guidance for this situation (where the property was in an urban renewal area at time of acquisition but is no longer). She explained this property could be transferred back to the "landlord" with or without compensation. In this situation, there may be difficulties finding a viable tenant, given the ownership situation. She recommended the Board also consider the cost to the agency of maintaining the asset long term. Following lengthy discussion, it was **MSC (B. Blad, T. Ottaway)** to counter offer to Idaho State University the sales price of \$125,000.00, with closing to occur in 60 days. This will be transmitted to ISU's General Counsel.

Agenda Item No. 14: Reimbursement to City. **Gygli** stated the City Council has asked the Board to consider reimbursing the City for the cost of staff support by City employees to the PDA. She has estimated very roughly that the cost would be \$24,000.00 (assuming current wage and fringe costs), including the Executive Director, Treasurer, Engineer, website support, and some administrative support. This amount does not take into account a project such as the Northgate TIF, which was very time consuming. This is an appropriate expense for the 10 percent administrative costs. Some other urban renewal agencies use contracted assistance and some are supported by related city staff, some reimbursed, others not. Chubbuck, for instance, reimburses for the executive director expenses. A project accounting code has been created so that staff expense can be tracked accurately. **Blad** said that yes, the City Council does want to have the PDA assist with this support. Board members expressed concern about having the ability to absorb the cost with little in increment coming in with the closure of North Yellowstone.

Following discussion, it was **MSC (R. Lion, T. Ottaway)** to reimburse the City of Pocatello for staff cost in FY2020, but reserving the right to revisit the issue at six months and one year. **Gygli** will provide a brief report at the next meeting of the expenses to date, starting 8/1/19.

Adjournment: Due to time constraints, the remainder of the agenda was postponed to the August meeting and the meeting adjourned at approximately 1:40 p.m.

By: _____
Melanie Gygli, Interim Executive Director/Secretary