

POST FALLS URBAN RENEWAL MINUTES

July 15, 2010

CALL TO ORDER, ROLL CALL AND PLEDGE OF ALLEGIANCE

Chairman Bobbi Rollins called the meeting to order at 7:00 a.m. Executive Director Tom Lien called the roll. Present, in addition to Chairman Rollins were Commissioners Larry Carstensen, Jerry Baltzell, David Holloway, Peter Smith, Tim Short and Hilde Shetler.

Chairman Rollins asked Commissioner Short to lead the Pledge of Allegiance.

CEREMONIES, APPOINTMENTS AND ANNOUNCEMENTS

Chairman Rollins stated there would be a budget workshop immediately following the regular Commission meeting.

CONFLICT DISCLOSURE

Commissioner Smith noted a conflict on item 7a, Idaho Veneer Resolution.

CONSENT CALENDAR

Lien introduced the Consent Calendar. All Commissioners had been given a packet of information for the meeting including the reviewed and edited June 17, 2010 minutes. Provided also were the payables for the month totaling \$217,711.07. The operating payables for the month totaled \$14,924.43. Also included in payables are checks totaling \$187,113.73 for payments to the City on the William/Frederick/Centennial project as well as a check for \$15,672.91 for Washington Trust on the Water Tower loan. There is an estimated \$51,764.17 remaining on the William/Frederick/Centennial project that has not been billed.

The financial statements as of June 30 are as printed from the in-house QuickBooks accounting system. The Bank Activity Report shows total funds in all accounts of \$3,525,871.40 with accrued interest for the month of \$3,249.31. Approval of the Consent Calendar will also authorize the transfer of accrued interest to the General Fund and transfer of \$217,711.07 to the INB Checking Account to pay the payables.

The consent calendar includes an Acknowledgment and Consent requested by JR Watson and Associates regarding the Expo District. US Bank is making a line of credit available to Watson for their development activities. The document provides direction from Watson to remit the semi-annual proponent reimbursement amounts directly to US Bank. The document has been reviewed by the Agency's legal counsel.

The final item is a request from JR Watson & Associates to change the administrative services fee from 15% of annual increment to a flat fee basis consistent with the other proponent developers in the renewal districts. This will be done by executing an Addendum to the Expo District Settlement Agreement as prepared by the Agency's legal counsel.

Smith asked for clarification on the proposed signatures on Acknowledgement and Consent for Watson. Bredeson affirmed this was how it was listed in the original settlement agreement. Smith then asked if the Agency had done a direct payment to the bank before. Lien stated that it had not

been done previously. Smith asked if this line of credit is related to the Expo District. Lien stated that it is directly related to Watson's development costs.

Carstensen asked if we could be assured that the reimbursement amount is going back to the project in Expo and not some other project elsewhere or if it shows that Urban Renewal is paying for something that is outside of the Expo District. Rollins responded that the Agency reimbursement is funds that are owed to Watson on work that has been completed. Lien stated that the Agency cannot control how the reimbursement funds are used.

Baltzell asked if the document had been reviewed by legal counsel. Bredeson affirmed it had been reviewed.

Rollins asked if the change to the administrative fees would be for next fiscal year? Lien affirmed this to be correct.

Smith would like to see some language in the Acknowledgment and Consent document that clearly states the Agency does not take responsibility on timing of the reimbursement or any alleged breach of this agreement, a provision that states if there is a dispute the prevailing party gets attorneys fees under the terms of the agreement.

Short made a motion to move the Expo Acknowledgement and Consent to Old Business, seconded by Shetler. Motion carried.

Holloway made a motion to accept the Consent Calendar as changed, seconded by Short. Roll call vote: Carstensen – Aye, Baltzell – Nay, Holloway – Aye, Rollins – Aye, Smith – Aye, Short – Aye, Shetler - Aye. Motion carried.

CITIZEN COMMENTS

Len Crosby approached the Commission to comment on the changes to the Financing Cost Reimbursement Policy #6. He stated the policy was originally developed as an additional incentive to the developer of the Center Point District and recommended rescinding the policy rather than revising it.

KCFR Bond Presentation. Chief Sampert gave a short presentation for a 10 year \$2M replacement bond. He emphasized that property taxes would not increase, but the current amount would be extended for another 10 years. The bond would be used to complete the 10 acre training grounds and completion of the administrative building for the Kootenai County Fire and Rescue. Voting on the bond will take place on August 3rd.

UNFINISHED BUSINESS

Access 90 Interchange Status. There was no Chamber Transportation Committee meeting in July. Executive Director Lien is waiting to hear from ITD on the status of CH2MHill billings, the funds remaining from the \$500,000 and when that money will be returned to the Agency.

The City has recently received notice of direct federal funds availability under the TIGER II grant program. City staff is currently preparing a pre-application submittal for a \$25 million dollar grant which will require a 20% local match of \$5 million. The grant would be structured with the City and Agency showing as participants, and the Agency providing the local match. This is in line with the Agency's earlier conversation and expression of willingness to expend about \$4.5 million dollars to get through final design and have a record of decision for the project from FHA. If the pre-application is approved, the final application will be submitted by August 23rd. The funding would have to be

obligated by 2012. Bill Melvin was present and gave a brief overview of the grant process. After discussion Smith made a motion to approve the \$5M local match for the Tiger II grant as requested by the City of Post Falls, seconded by Baltzell. Roll call vote: Carstensen – Aye, Baltzell – aye, Holloway – Aye, Rollins – Aye, Smith – Aye, Short – Aye, Shetler – Aye. Motion carried.

East Post Falls District Termination Date. Rollins directed Agency legal counsel to meet with the City Attorney to clarify some pending issues regarding the termination date. Carstensen made a motion to move the East Post Falls District termination date to the August Commission meeting, seconded by Short. Motion carried by voice vote.

Marketing Video. Director Lien stated that Jeda Video Group has made excellent progress on the video. All of the personal interviews have been completed and work will begin on a rough draft for review by the committee sometime in the later part of July or the first week in August.

Update and Revision of internal Policy #6 - Financing Cost Reimbursement Policy. Director Lien stated that staff has been in process of reviewing our internal Agency policies and revising them to a standard policy format. One that was tabled last month for further revision is Policy #6 on Reimbursement of Proponent Borrowing Costs. The prior policy was dated April 21, 2005. The language was changed to increase the interest reimbursement to a spread of 2% over the current prime rate with a maximum of 8% as of the date of first funding by the Proponent's lending source. Additionally, reimbursement of loan fees shall not exceed one percent (1%) of the amount financed. Further revision adjusted the language to cover new projects in an existing district, not just new districts. This policy has been reviewed by the Finance Committee. Baltzell made a motion to approve the changes in Policy #6 revisions as submitted, seconded by Carstensen.

Smith asked for discussion, thanking former chairman Crosby for coming in and giving some background on this policy and the reason it was originally put in place. Smith feels the Agency should not be reimbursing financing costs. If financing costs are increased for a proponent it will motivate him/her to build as quickly as possible. Smith suggested the Agency have a policy where financing costs are reimbursed on a case-by-case basis. Policy #6 creates the impression that the Agency will be in the business of reimbursing for financing costs and loan fees which should be the burden of the proponent/developer as motivation to get a project done.

Holloway added that the Agency has a responsibility to provide a base level of service of which financing does not meet that base level. On a case-by-case basis, the original design is an incentive to the proponents to complete projects faster or add enhancements. The policy goes above and beyond that.

Baltzell stated that he does not agree. As with any construction project, part of the hard cost is the cost of money. It is not unreasonable to include financing costs as part of a project. A case-by-case basis does not show equal treatment of proponents that might come in to seek assistance from the Agency.

Short agreed with Baltzell and his comments adding that there are other mechanisms in place to push the developers along and have the ability to be reimbursed. Financing costs are part of development. There are cases that would be appropriate and the Agency would need the policy to help with negotiations. It is not appropriate to do that on a case-by-case basis.

Rollins asked for roll call vote: Carstensen – Aye, Baltzell – Aye, Holloway – Nay, Rollins – Aye, Smith – Nay, Short – Aye, Shetler – Aye. Motion carried.

Expo Acknowledgement and Consent. Holloway opened discussion stating there is a continuing misunderstanding of increment. The Acknowledgement and Consent clearly outlines that increment is only paid out as it is received. Erring on the side of absolute clarity it is only an obligation. If the money is not received it is not an obligation of the Agency. No Increment = No Obligation.

Smith stated it doesn't make sense for the Agency to enter into the agreement and pay a bank rather than the proponent as is normally done. The purpose is to lower Watson's overall borrowing costs for all projects that he may have.

Rollins asked if this would require the Agency to make the reimbursement check payable to the lending institution. ED Lien clarified the Agency would do a wire transfer to the bank. Watson will only receive increment funds when received for the semi-annual reimbursement. As an accommodation to the proponent we are just sending his reimbursement to the bank.

Smith feels that Watson should sign an agreement with the bank that obligates him to make payment to the bank when he receives reimbursement from the Agency. ED Lien explained the bank is looking for additional insurance that the money going to Watson is received by the bank.

Baltzell affirmed that with the document in place the bank can then control Watson's cash flow as it relates to the line of credit.

Rollins made note that if the Agency enters into this agreement now is the Agency prepared to do it with all proponents? Smith has a valid concern on the administration of this, it is slightly different and more work for Agency staff, suggesting that Mr. Watson work this out with his lending institution.

Baltzell stated it appears to look like an assignment of funds, not a personal guarantee. When funds are available Agency is only agreeing to make the check payable to the bank instead of Watson. This document has been reviewed by legal counsel and recommended that it fits within the Agency's normal course of business.

Smith stated that on a very narrow view of this issue we are merely making more work for the ED, and it sets precedence that we will do this for other developers. The purpose of the Urban Renewal Agency is to promote development within the districts, not to assist developers in getting financing.

Carstensen asked if the request came from Watson and the motivation behind it is to help him with his lenders. ED Lien confirmed this to be correct.

Smith suggested if the agreement is approved, provisions be added regarding venue, attorney fees and if discovered by law that Watson come here and not have the Agency being sued over an agreement.

Bredeson clarified that the provisions were already included in the settlement agreement with Mr. Watson's company and the provisions are still binding on him. It is not necessary to restate them in this acknowledgement.

As there was a motion on the floor, Rollins requested roll call vote: Carstensen – Nay, Baltzell – Aye, Holloway – Nay, Rollins – Nay, Smith – Nay, Short – Aye, Shetler – Abstained. Motion denied.

New Business

Idaho Veneer Resolution. Ed Lien presented a staff report to create a new urban renewal district, requested by the principals of Idaho Veneer. Lien provided an overview of the proposed Idaho Veneer District including the history, relevant issues and proposed plans. Lien requested the Commission approve the concept of the Idaho Veneer Area and pass Resolution No. 10-01 which is a declaration of finding deterioration and a deteriorating area that is subject to creating an Urban Renewal plan and forward the Resolution to the City for its approval.

Rollins explained the process of forming a new district. The Agency passes a Resolution, which then goes to City Council for approval. Then work begins on a feasibility study and getting a plan together, which in this case is primarily done by Idaho Veneer.

Short stated that this is a great opportunity and the timing coincides with the termination of other districts, therefore the burden does not fall on the tax payers. The City could use this improvement and it adds many opportunities to increase mobility across the interstate for traffic and pedestrian use. It could potentially generate a lot of interest both commercially and residential.

Rollins added that this district will allow connectivity to City Center and help vitalize the area.

Baltzell made a motion to approve the Idaho Veneer Resolution to form a new urban renewal district, seconded by Shetler. Roll call vote: Carstensen – Aye, Baltzell – Aye, Holloway – Aye, Rollins – Aye, Smith – Abstained, Short – Aye, Shetler – Aye. Motion carried.

Certificate of Deposit Renewal. ED Lien informed the Commission that the Panhandle State Bank CD matures on July 27 in the amount of \$250,000 plus accrued interest. After review of available rates and discussion in Finance Committee it is anticipated to renew the CD at Panhandle State Bank. The current term of 15 months and rate of 1.29% best suits our liquidity needs.

FY2010 Budget Line Item Adjustments. In reviewing the status of the current fiscal year budget, staff has determined the need to adjust some of the line item amounts using the contingency funds. Staff tries very hard to be as accurate as possible with the annual budget but there are always unforeseen items to deal with. Although some of the line items are being adjusted, the total budget that was approved by Commission is not being increased. The changes take into account the year to date and projected amounts over the remaining three months.

- Contract Employee is increased by \$4,000 as a wage adjustment for the Admin Assistant.
- Insurance is increased by \$1,900 for the ICRMP annual insurance policy. This has previously been budgeted at the first of the year but the statement usually comes in August, this will get payment in line with the billing.
- Office Furniture \$2,200 expense was for the furniture necessary in the new Agency offices in the Chamber of Commerce building. The Agency did not own the furniture in the previous office location.
- Travel & Meetings \$700 expense provides for travel to Boise in January for the House Subcommittee testimony and the June trip to Idaho Falls for the AIC meeting.
- Moving Cost expense of \$445 was for the truck and labor to move to the new Agency office location.

COMMITTEE UPDATE

Finance - Holloway – Budget workshop following Commission meeting.

District Review – Rollins – The committee discussed the East Post Falls termination date, the Tiger II grant and the Idaho Veneer District.

City Center - Carstensen – There is activity in the Landing. Water, sewer and water lines being installed. The blue house on 2nd and Spokane is being demolished, there might be some activity beginning soon on that property. The poles for the security cameras are up, the cameras will soon be installed. Work on Frederick and William Streets are complete. There is a golden opportunity for things to get done in City Center with the addition of the Idaho Veneer District.

Personnel – Smith – nothing further to report.

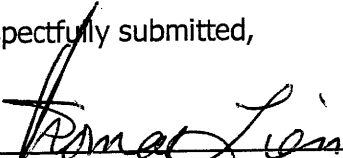
COMMISSIONER COMMENTS

Rollins thanked staff for all the work done.

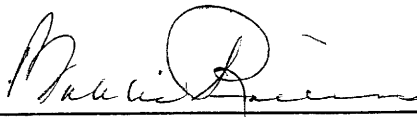
ADJOURNMENT

Rollins asked for a motion to adjourn. Commissioner Short made a motion to adjourn, seconded by Carstensen. All in favor by voice vote.

Respectfully submitted,



Thomas Lien, Executive Director



Bobbi Rollins, Chairman

POST FALLS URBAN RENEWAL AGENCY MINUTES
BUDGET WORKSHOP
JULY 15, 2010

The Budget Workshop was convened at 8:25am after the regular scheduled monthly Commission meeting. Vice-Chairman Bobbi Rollins opened the workshop. Present in addition to Rollins were Commission members Larry Carstensen, Jerry Baltzell, David Holloway, Peter Smith, Tim Short and Hilde Shetler. Also in attendance were Executive Director Tom Lien, Legal Counsel Pete Bredeson and Executive Assistant Diane Fountain. There were no other attendees at the Workshop.

Lien provided a summary of the documents provided to the members and explained briefly his process in completing the budget for fiscal 2011. A review of the operating expense line items was conducted with general comments and discussion among members regarding use of contingency funds, interest income and line item descriptions. Lien outlined the budget format and source of information to derive tax increment revenues by district, along with projected expenditures by district and explained that the expenditures would be based on increment actually received.

Holloway reviewed the Fund Reconciliation sheet and explained the use of general funds and how the administrative fees are derived, noting the fees will remain the same as last fiscal year.

The basic outline of budget items is as follows:

Revenues	\$3,970,924
Expenditures	
Proponent / District Related	\$3,789,338
Operating Expense	\$ 181,586
Total Expenditures	\$3,970,924

The budget and notice will be published in the Coeur d' Alene Press on August 6th and August 13th, before the Public Hearing to be held at the Commissioner meeting on August 19th.

With no further discussion, the workshop was closed at 9:37 a.m.

Respectfully Submitted,



Thomas Lien, Executive Director



Bobbi Rollins, Chairman