

IDAHO FALLS REDEVELOPMENT AGENCY

P.O. BOX 50220

IDAHO FALLS, ID 83405

February 17, 2022

Regular Meeting Minutes

Council Chambers

Call to Order: Lee Radford called the meeting to order at 12:00.

Members Present: Lee Radford, Terri Gazdik, Chris Harvey (Via WebEx), Kirk Larsen (via Webex)

Members Absent: Brent Thompson, Thomas Halley

Also Present: Brad Cramer; Ryan Armbruster Esq. (via Webex.), Abigail Germaine, Esq. (via Webex); Renee Magee (via Webex) and interested citizens.

1. Modification to Agenda. None.

2. Approval of Minutes February 17, 2022. Armbruster had typographical errors requested to be fixed. **Larsen moved to approve the Minutes with modifications for February 17, 2022, Jon Walker seconded the motion and the motion passed unanimously.**

3. Approval of Expenditures and Finance Report. Lee Radford presented the Finance Report Dated February 17, 2022. In the River Commons Area: \$150.00 to Rebecca Thompson for transcription of minutes; \$5,598 to Elam and Burke for legal; \$2,000 to Rudd and Company for the Audit; \$584,043.76 to BV Lending for OPA payment; \$14,386.24 to Bandon River for OPA payment. In Eagle Ridge Area: \$21,783.04 to Eagle Ridge Development for OPA payment. Jackson Hole Junction Area: \$84,027.66 for OPA payment.

Terri Gazdik moved to approve the Finance Report dated February 17, 2022, Jon Walker seconded the motion and the motion passed unanimously.

4. Resolution Accepting Pancheri-East Bank Eligibility Report. Cramer presented that last month the Board asked for expanded boundaries to go further south to help with potential improvements out to Yellowstone. Cramer stated that today the presentation has the changed boundaries. Cramer stated that the Resolution will approve the report so it can be forwarded to City Council which is scheduled for a work session on February 22, 2022 and approval of February 24, 2022.

Renee Magee. Magee presented the Pancheri-East Bank Eligibility Report. Magee stated that the study is to determine if a portion of the 36 acres meets one or more of the criteria of the Idaho Statue for an Urban Renewal Area. Magee showed the new outlined area that has increased by 4 acres from the original proposal last month. Magee showed that the new addition now includes the Idaho Falls substation, the right of way for Capital Avenue Extension and 2 lots south of the right of way. Magee indicated that 2130 South Yellowstone was added to the study, as well as 2160 South Yellowstone. Magee stated that the 2160 South Yellowstone is less than ½ acre and is very narrow. The building on that lot was built in 1945, and the building on 2130 South Yellowstone was built in 1960. Magee indicated that both of the lots fit into the criteria, and they have been added to the study area. Magee summarized that the primary reason that this area is eligible for an Urban Renewal Area is that there is no developed streets and street planning; approximately 60% of the study area is vacant or underutilized; the value of the improvements exceeds the value of land on only 1/3 of the private parcels. Magee stated that the 2 new parcels that have

been added have more value and the value of the building still exceeds the value of the land; there is a faulty lot layout; the driveways don't meet standard size for spacing; there is no public access through the area.

Radford feels the extra time has been helpful and the added parcels will be helpful, and it will put all the properties between Pancheri and the Old Castle property into the District. Radford asked if the Board feels this reflects the desires, they expressed last month.

Cramer reported that the Post Register ran an article on this potential district and since that time some property owners have reached out to Cramer one had some concerns, one wanted more information, one (Lorin Walker) sent a letter of support for the District.

Larsen asked about the property owners of the new parcels. Magee stated that these two property owners are new to this concept and have not been introduced to it in the past.

Radford asked Cramer to explain overall what is happening as Commissioner Walker was not present for the background on this area.

Cramer stated that in January they went through the eligibility report and all of the statutory requirements to determine if this is an eligible area. Cramer stated that the reason for adding the southern parcels is because this area follows closely what was known as the Pancheri-Yellowstone District which closed a few years ago. Cramer stated that they were working on putting together a project to improve Yellowstone Ave., but one of the concerns at the time was that they couldn't build a full intersection where Capital Ave., would be extended and so they needed the extra width and including the 2 properties could help. Cramer stated that none of the property owners other than the Balls who initiated this have spoke to Cramer about the area. Cramer stated that the first step is making sure it is eligible and if it is eligible then they can reach out to the owners and have conversations about what they can do with the planned development. Cramer stated that the Agency accepts the report and then it goes to City Council to accept the report and authorize the Agency.

Armbruster clarified that this report determines whether the 36 acres is eligible.

Armbruster read the Resolution by Title

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE IDAHO FALLS REDEVELOPMENT AGENCY OF IDAHO FALLS, IDAHO, ACCEPTING THAT CERTAIN REPORT ON ELIGIBILITY FOR THE PANCHERI EAST BANK URBAN RENEWAL DISTRICT AS AN URBAN RENEWAL AREA AND REVENUE ALLOCATION AREA AND JUSTIFICATION FOR DESIGNATING THE AREA AS APPROPRIATE FOR AN URBAN RENEWAL PROJECT; AUTHORIZING THE CHAIRMAN OR EXECUTIVE DIRECTOR TO TRANSMIT THE REPORT AND THIS RESOLUTION TO THE CITY COUNCIL OF THE CITY OF IDAHO FALLS REQUESTING ITS CONSIDERATION FOR DESIGNATION OF AN URBAN RENEWAL AREA AND SEEKING FURTHER DIRECTION FROM THE COUNCIL; AND PROVIDING AN EFFECTIVE DATE.

Kirk Larsen moved to adopt the Resolution Accepting the Pancheri-East Bank Eligibility Report, Terri Gazdik seconded the motion. Radford called for roll call vote: Gazdik, yes; Walker, yes; Harvey, yes; Larsen, yes; Radford, yes.

Cramer stated that next step is to go to City Council on 2-22-22 for a work session and a vote on 2-24-22. Magee will be available to present to City Council and will present a similar presentation to what the Board received last month.

5. 2021 Audit. Scott Bond from Rudd and Company presented the Audit for 2021.

Bond presented that for the period ending September 30, 2021 the auditor's opinion issued an unmodified/clean opinion of the financial statements of the Idaho Falls Redevelopment Agency. Bond stated that since this Agency is a governmental entity, they are required to issue a letter of controls outlining the procedures and findings, and nothing was brought to their attention during the performance of that controlled evaluation that would indicate any concerns. Bond started with page 15 of the Financial Statements that shows the Revenues – Expenditures- Changes in Fund Balances. Bond stated that there are 5 different funds and each of them classify as special revenue funds. Bond stated that the activity shown on page 15 in each column represents one of the allocations or districts and for the year 2021 there was activity in 3 of the allocation funds. Bond stated that Snake River and Pancheri Yellowstone were winding down or were closed, so this will be the final year of seeing Snake River and Pancheri. Bond showed the minimal activity that occurred within the Snake River fund which included an expenditure to finalize the commitment of the Agency with Dr. Lee and the other expenditure was to close out the fund and give the remaining balance back to the County, and there is now a zero balance in that fund. Bond stated that in Pancheri Yellowstone the third column showed very minimal activity and was left open last year with a \$25 balance and that has since been closed. Bond stated that today he will focus on the other three funds (River Commons, Eagle Ridge, Jackson Hole).

Bond stated that the second column is River Commons shows the collection of property taxes and earnings on investments and the middle portion shows the expenditures. Bond stated that the majority of those expenditures are debt service and payments on the notes for the agreements under River Commons. Bond stated that there is an increase to that fund shown on the 3rd line from the bottom of \$192,766.00 for an ending fund balance of \$1.2 million as of September 30, 2021.

Bond stated that the fourth column is Eagle Ridge and that had property tax collections and payments out on those agreements \$28,456. Bond indicated that Eagle Ridge showed an increase after revenues and expenses of \$1,369 for an ending fund balance of \$36,951.

Bond stated that Jackson Hole started collecting property taxes this year in the sum of \$107,000 came in and that was more than what was anticipated. Bond stated that the \$4 million agreement to repay as part of the agreement has been entered and there was \$79,468 that was paid on that commitment. Bond stated that at the end of the year Jackson Hole had \$29,873 remaining in the fund.

Bond turned to page 21 that had a recommendation. Bond stated that they are required to evaluate the cash position of the Agency, so they looked at the investments that are held with the State that are secure, but if there are any balances with banks or financial institutions, they evaluate those based upon the amount of insurance coverage. Bond stated that they have talked about this previously and based upon the first paragraph on page 21, as of the end of the fiscal year there was \$124,251 of cash balance in excess of the FDIC insurance coverage of \$250,000, and that amount is at risk should a bank falter. Bond stated that the way to minimize that risk would be to move more over to State investment pool or spread deposits to other financial institutions to take advantage of the \$250,000 coverage.

Bond turned to page 23 and showed the long-term obligations and long-term liabilities. Bond stated that as to the end of year they are shown in foot note 4 and below the table there are some narratives about how they were created and how they will be funded which is mainly through the collection of property taxes and the percentage distribution agreement (75%, 80%, 85%). Bond stated that Jackson Hole Junction is new and was an amount of \$4 million, with \$79,000 paid off so \$3.9 million remains. Bond stated that Jackson Hole Junction is new because the 1st time since they 've done the audit there isn't actually a physical note that was entered into, and it is just under the obligation that was entered into by the Agency. Bond stated that they outlined the terms of the obligation on page 24.

Bond stated that they are required to disclose if there are any funds that end in a deficit and there were none. Bond stated that if there were any expenditures that exceed budget, they are required to disclose that, and on page 26 due to the \$4 million on Jackson Hole Junction it creates expenditures in excess of the budget that had been originally adopted, so those expenditures had to be listed. Bond stated that is not a concern, but rather an accounting entry. Bond stated that the Budget to Actual for that fund can be found on page 33. Bond showed that the first column shows the adopted budget and then the middle section shows the actual expenditures and that \$4 million played havoc with the adopted budget of \$70,000 for the year.

Bond explained the letter that describes the audit process. Bond stated that it defines Rudd's responsibilities, the Agency's responsibilities, and provides the opportunity of Rudd to make recommendations. Bond stated that those recommendations are on page 2 of the letter. Bond stated that they have discussed those recommendations with Mark Hagedorn and Brad Cramer.

Bond stood for questions.

Gazdik asked what the reason for not having a promissory note on Jackson Hole. Bond stated that as he read through the Agreement, the Agreement was written to where it indicated that by this agreement there couldn't be any debt associated with it, and you couldn't bind the Agency by debt. Bond stated that for that purpose the Agreement was outlined that there would be no interest and it would expire in 2030 or if the district was terminated sooner so there was no debt created by this.

Armbruster stated that they have moved off of the Promissory Note Model because of its creation of formalized debt, plus the fact that they aren't incurring any interest. Armbruster stated that all reimbursement agreements now are just a contract obligation to pay back the developer for the amount noted over a period of time based upon a percentage of tax increment. Armbruster feels this creates a less burdensome aspect on the Agency and there is no concern, as it is a contract and if they fail to pay, they would breach the contract. Armbruster stated that getting away from the Note Model makes more sense.

Gazdik confirmed that this is setting a pattern for everything going forward. Armbruster agreed and stated that the ones that the note (River Commons and Eagle Ridge) those predate the change in philosophy. Gazdik asked if there was a change in legislation that caused this change. Armbruster indicated that it wasn't a change in legislation, but just that they had found in the notes that had interest, that unless the project moves forward at a rapid pace, you will never pay off the note because the interest rate component takes a lot of the tax increment dollars. Armbruster added that not having an interest rate component moved it to a contract writing and call it good.

Radford stated that both with Snake River and River Commons, with Snake River being very successful and reimbursed a lot of money, but still didn't get much of the interest paid on the note, and the same is setting up to be true in River Commons. Radford stated that it also raises issues whether someone is

going to try to claim the interest or come back and ask for more in the future. Radford stated that getting away from that model will eliminate the issue.

Armbruster stated that the existence of a note persuades someone that they have a stronger position to get money from the Agency and if there is just a contract, the contract itself makes it very clear, that if the Agency doesn't have enough money to pay the amount off by the time the project closes, that is it, and it's done. Armbruster stated that there were conversations in the Snake River Area where people still made the contention that they should be paid additional funds. Armbruster feels the way that they are moving forward with Jackson Hole will make it clearer and avoid the contention as the project areas close out.

Radford asked Mark Hagedorn to discuss the capital risk.

Mark Hagedorn stated that instead of holding cash in anticipation of paying over the next couple of months, they just need to transfer it to and from the pool. Hagedorn stated that they get lump sum payments, and he has been holding it knowing that in the next few months a certain amount is needed to be paid. Hagedorn stated that he can now just transfer it. Gazdik feels that is a timing difference between when bills come in and when the cash is needed. Gazdik stated that as long as it doesn't happen on September 30 it should be ok. Radford asked if it is more trouble to put it in the State Fund versus the banks. Hagedorn stated that it is not harder, but the reality is it is a risk and what are the chances that they are going to lose money if the bank closes. Hagedorn stated that the interest rate is non-existent currently, and before they were trying to maximize interest between the Bank and the State Fund. Hagedorn stated that they don't worry about that now because they are less than ¼% difference so you aren't making any interest in either place. Hagedorn stated that it is just a matter of timing the payments.

Radford asked if there are any other issues that they should learn from. Hagedorn stated that they have the issue every time when a District closes, they are always over budget because they've had to anticipate what cash you are going to have on the date that you make the payment. Hagedorn stated that the other issue is when a District is created and the OPA is finalized can they better forecast what the amount is going to be? Hagedorn stated that they can, but the District that is being created they need to anticipate when that OPA will be finalized, and one of the issues that comes up is it is not the date that the District is created. Hagedorn stated that the Agency as a whole is not over budget, but the one fund is. Hagedorn stated that they do the budget for multiple years so that it is achieved, and they can take the overage when it happens.

Terri Gazdik moved to accept the Audit Report presented by Scott Bond of Rudd and Company, Authorize Brad Cramer, and Mark Hagedorn to file the Audit Report with the appropriate entities, and authorize Brad Cramer to include it as part of the Annual Report which is required by the State of Idaho Kirk Larsen seconded the motion. The Motion passed unanimously.

6. RAI/Legislative Updates. Armbruster stated that last year they changed the reporting requirements from the Legislative Services Office to the State Controller. Armbruster stated that they are still having issues as to where everything is going to go when they file the Audit and file the Annual Report. Armbruster stated that they are working through that, and they are discussing it with the State Controller to get it resolved. Armbruster stated that two Bills to report on. Armbruster stated that Senate Bill 1249 is a Bill that tries to fix "House Bill 389 from last year" where there was an error in terms of closing how revenue allocation areas and construction value is handled in terms the other taxing entities being able to include it in its budget. Armbruster stated that it was intended to have that value done in part and cap, but unfortunately it was never acted that way, so Senate Bill 1249 intends to fix it. Armbruster stated that has passed the Senate and is going through House Committee and it is assumed that the Governor will sign it. Armbruster stated that all Bills have an emergency clause which means they are effective as soon

as the Governor signs it, and this is in reaction to last year when they closed down and came back. Armbruster stated that one Bill did surface and could cause issues is Senate Bill 1303 which attempts to provide for an increase in the base assessed values over time to allow for additional funds to flow to the other taxing entities. Armbruster stated that the concept is sound, but the draft right now leaves a lot to be desired in terms of when does the 5% cap take place; is it in the increase to the assessed value or 5% of the revenue that the Agency receives back to the taxing district. Armbruster stated that through RAI they are working with Senator Guthrie to see if they can get clarification and potentially see if they can work with him and work up a Bill that is acceptable and move forward. Armbruster stated that if the Bill goes all the way through this Bill would be effective on July 1, 2022. Armbruster stated that all existing plans would not be impacted, but it would have an impact on the proposed new plan for Pancheri East.

Next Regular Meeting: March 17, 2022

Kirk Larsen moved to adjourn the meeting, Terri Gazdik seconded the motion and it passed unanimously.

Radford adjourned the meeting at 12:45 p.m.

Respectfully Submitted: Beckie Thompson