

IDAHO FALLS REDEVELOPMENT AGENCY

P.O. BOX 50220

IDAHO FALLS, ID 83405

August 30, 2018

Special Meeting Minutes

Annex Building Council Chambers

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

Members Present: Lee Radford, Kirk Larsen (via telephone), Brent Thompson, Thomas Halley, Chris Harvey, Terri Gazdik.

Members Absent: Dave Radford

Also Present: Brad Cramer; Ryan Armbruster, Esq. (via telephone); Blake Jumper from The Housing Company (via telephone); and interested citizens.

Thompson asked if they need to modify the Agenda to discuss the drainage issue on The Broadway. Cramer doesn't believe that it is an actionable item, but it could be discussed. Armbruster indicated that as of July 1, the Statute has changed, so you could amend the Agenda to discuss the item, but no action can be made on the item as it doesn't fall under an emergency requirement.

Armbruster stated that the reason to amend the Agenda is that this issue recently emerged and that is why it was not put on the Agenda.

Brent Thompson moved to amend the Agenda to discuss the questions presented by The Broadway project, Terri Gazdik seconded the motion and it passed unanimously

1. ACTION ITEM: Amendment to the DDA with The Housing Company for the Bonneville Hotel Project. Cramer indicated that the bids on the Bonneville came in higher than expected and The Housing Company needs time to determine where to save costs and cut out. Cramer stated that they are nearing the deadline that was established in the DDA for closing on the property, which should close by August 31, 2018. Cramer indicated that they are close, but not close enough to close tomorrow. Cramer indicated that the Amendment to the DDA is to extend the closing deadline to October 31, 2018 and it should be completed earlier. Cramer indicated that there is also an issue regarding the \$300,000 in grant funds that is in the First Amendment to the DDA to pay the Agency as a consulting fee.

Blake Jumper, The Housing Company. Jumper indicated that they went out to bid on the Bonneville and got the bids back and they were 23% higher than the original estimate which is approximately \$1.5 million over budget. Jumper stated that they are trying to dig into the architectural design. Jumper indicated that they have discussed it and are now to a point where they are \$550,000 gap between the original estimate and the current budget. Jumper stated that The Housing Company has agreed to contribute the additional \$550,000 to the project in a cash contribution. Jumper stated that in total The Housing Company has \$1.3 million in cash contribution to the project as well as financing the commercial space for a total of \$2 million into the project. Jumper stated that the grant funds were inserted into an amendment to the DDA as a Consulting Fee. Jumper indicated that they applied for the grant in May and they don't receive notification of award until December. Jumper stated that the original language stated that if the funds were received The Housing Company would pay \$300,000 back to the Agency due to the agreement of a decreased purchase price. Jumper stated that now that The Housing Company is contributing an additional \$550,000 to the project it is not feasible for them to put out the

\$300,000 is they receive it as it will put them in a tight spot with cash. Jumper indicated that they are requesting that the Consulting Fee be removed from the DDA.

Cramer stated that the Agency has an upfront investment of \$1.5 million to purchase the building. Cramer stated that the original agreement with The Housing Company was to sell it to them for \$500,000. Cramer stated that The Housing Company later requested that the Agency reduce the price down to \$200,000 with the expectation that if they received the Grant that the Agency would be repaid up to \$300,000, so that the purchase price would have remained at \$500,000. Cramer stated that in the FY Budget the \$300,000 was excluded as an income because it was so uncertain so in terms of the Agency cash flow it doesn't have an effect. Cramer stated that in total the Agency will invest \$1.3 million to the project.

Thompson asked what happens if The Housing Company doesn't get the grant. Jumper stated that the award comes after the project will be under construction, so The Housing Company is putting up the funds now of over \$1.3 million in cash to make the project work, and if they don't get the grant funds then they are stuck with the money in the deal. Jumper stated that if they get the grant funds then they can go towards the project then they can kick themselves back some of the cash contribution. Jumper indicated that if they don't receive the Grant money it will not affect the project but will affect The Housing Companies cash.

Radford stated that all summer he has dealt with cost increases on construction projects. Radford indicated that The Housing Company has had to leverage over \$10 million of money from the investments is difficult. Radford indicated that he feels it is worth giving up the \$300,000 to keep the project going.

Armbruster read the Resolution by Title.

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE URBAN RENEWAL AGENCY OF IDAHO FALLS, ALSO KNOWN AS THE IDAHO FALLS REDEVELOPMENT AGENCY OF THE CITY OF IDAHO FALLS, IDAHO, APPROVING THE SECOND AMENDMENT TO THE DISPOSITION AND DEVELOPMENT AGREEMENT BETWEEN THE URBAN RENEWAL AGENCY OF IDAHO FALLS AND THE HOUSING COMPANY; AND AUTHORIZING THE CHAIR, VICE-CHAIR, OR EXECUTIVE DIRECTOR AND SECRETARY RESPECTIVELY, TO EXECUTE AND ATTEST SAID AMENDMENT SUBJECT TO CERTAIN CONDITIONS; AUTHORIZING THE EXECUTIVE DIRECTOR AND SECRETARY TO EXECUTE ALL NECESSARY DOCUMENTS REQUIRED TO IMPLEMENT THE AGREEMENT AND TO MAKE ANY NECESSARY TECHNICAL CHANGES TO THE AGREEMENT SUBJECT TO CERTAIN CONDITIONS; AND PROVIDING AN EFFECTIVE DATE.

Brent Thompson moved to approve the Resolution authorizing the change to the Second Amendment to the DDA that changes the closing date in the text and in the schedule of performance from August 31 to October 31, 2018, Thomas Halley seconded the motion and it passed unanimously.

Armbruster indicated that the Consulting Fee is in the First Amendment to the DDA.

Kirk Larsen moved to delete the opportunity of the Agency to receive any part of the Consulting Fee and direct staff to prepare an amendment to the First Amendment deleting that provision and bringing the Amendment to the First Amendment to the September meeting for approval, Brent Thompson seconded the motion and it passed unanimously.

Jumper indicated that they have construction contracts that need to be executed by August 31 and they are hoping for a 3 week turn around to close everything. Jumper stated that they have September 21 on the calendar to close. Jumper stated that his investor is going to want to see the consulting fee removed from the DDA before they will close. Jumper asked if the amendment can be processed sooner than the September meeting. Armbruster indicated that the Board meeting is on the 20th of September and the document necessary to move forward can be drafted in the near future and circulate to Board members and the meeting on the 20th would have a Resolution formally approving the modification of the First Amendment to the DDA. Radford stated that the investor can check this meeting and see that there has been a vote and the Agency will continue consistent with that vote. Jumper stated that their legal counsel will want to see the Resolution 5 business days before closing so they can do a full review. Armbruster stated that won't be a problem and they can get it circulated next week, and Cramer can get you the signed Resolution and signed Second Amendment to the DDA extending the closing date.

2. ACTION ITEM: Approval of an option to purchase property. Cramer stated that this is an option to purchase the Pfaff building on Park Avenue. Cramer stated that the Board has voted on this item and voted to have staff release an RFP to seek a development partner. Cramer indicated that earlier this week the owner has agreed verbally to the option with a small change. Cramer stated that the option agreement that the Board voted approval on was for purchase price of \$125,000 with \$5,000 up front and a requirement that the roof be repaired to the Board's satisfaction to make sure that the water was not coming into the building. Cramer stated that the language was giving the owner concern and he felt it was vague. Cramer stated that he and a planner and building inspector went on the roof and looked at what has been done, including a rubber membrane and that is being held down and secured. It has been up there for 1 year. Cramer stated that since they have done that they have built some shoring walls that the City required and there is no evidence on the shoring walls of any water damage. Cramer stated that there is a small leak somewhere, but the Building Inspector indicated that the measures taken to stop the leaking is as good as can be done without replacing the entire roof. Cramer stated that the property owners have requested that the Agency reduce the purchase price to \$120,000 with \$5,000 up front and no requirement for any further roof repair. Cramer stated that would give the Agency a 6 month option.

Kirk Larsen has visited on-site with one of the owners. Larsen believes the owner has met the standard of what the Agency wanted. Larsen indicated that they were unaware of some of the work that had already been done on the building. Larsen agreed with Cramer that there was no evidence of new water coming into the building.

Kirk Larsen moved to approve the Real Estate Option Agreement with \$120,000 purchase price and \$5,000 option that will be applied to the purchase price at closing, Thomas Halley seconded the motion and it passed 5-1. Brent Thompson voted no on the motion.

Cramer indicated that the timeline on the RFP has changed. Cramer indicated that he had originally put in some dates to publish the RFP by next week, have proposals due to the Agency in 1 month and reviewing the proposals and selecting an award by October meeting and a DDA executed by the December meeting. Cramer stated that they will now want to push out the deadline for proposals to be due and approving a project in November and executing a DDA in January. Armbruster agreed and suggested that it will provide some flexibility for slightly longer period to negotiate the DDA once the developer is selected. Radford confirmed that the RFP can be sent out by September 4th. Armbruster agreed and indicated that there are a minor technical changes that he will work with Cramer on.

Radford asked Thompson about his concerns on the project. Thompson indicated that he feels the price is higher than it should be.

Terri Gazdik moved to approve the RFP for publication, Thomas Halley seconded the motion and it passed unanimously.

3. DISCUSSION ITEM: The Broadway. Cramer stated that they have \$95,000 left in savings and there are some issues that have come up with costs that weren't planned for or expected. Cramer stated that they have \$110,000 worth of items to complete. Cramer stated that the main projects are waterproofing the plaza, burying the power lines in the alley, and what type of equipment to buy for the parking garage, and a pay station for the surface lot. Cramer stated that the timing has to do with the Power lines in the alley and the waterproofing of the plaza. Cramer stated that they would like some direction from the Board today so they can get the materials ordered and work scheduled. Cramer stated that the original design of the plaza assumed that the site would have enough slope that the plaza would drain and there would only be minimal waterproofing needed. Cramer stated that the nature of the plaza has changed and they have elevation issues, so there are some stair cases and zero slope. Cramer stated that the original waterproofing method will likely fail within 3-5 years. Cramer stated that they have given 3 options for waterproofing that range in price from 38,000 – 53,000. Cramer stated that the recommended method will cost between \$51,000 - \$52,000 and will have the longest life span. Cramer stated that the second issue is the burying of the power lines. Cramer stated that both City Council and the developers wanted to see done, but the developer thought they only had to burry lines behind their project, but Idaho Falls Power has directed that they bury further towards "B" Street. Cramer stated that Idaho Falls Power will cover the cost of the materials and labor, but they are asking the developer to pay for the trenching in the cost of \$32,000. Cramer stated that the last thing is they recommended doing a pay station that only uses credit cards and no cash. Cramer stated that the card only pay station is \$10,000 more than what was budgeted for and a surface pay station is an additional \$15,000. Cramer recommended that they not buy the surface lot pay station for now, and the revenues from the garage could easily pay for the pay station once its operating. Cramer stated that they could then use the savings to waterproof the plaza, get credit card only pay station and bury the power lines in the alley.

Thompson indicated that in order to secure the surface parking they would have to fence/gate the parking lot, and a pay station would not force people to pay and/or control a lot. Cramer indicated that there is not budget for gates at this time. Thompson stated that the waterproofing of the plaza needs the very best solution to make it last so there is not a problem in the garage later on. Thompson suggested that they eliminate the surface pay station. Radford indicated that Oppenheimer is the parking manager on this project so they can decide how to maximize the revenue and what they can invest. Thompson asked if Downtown Development has been in contact with them about the design. Cramer indicated that they have been heavily involved with the plaza and the parking. Halley indicated that he believes it is important to get the power lines buried. The Board members agreed that getting rid of the surface lot pay station is the best way to get the costs down to the savings level.

Halley asked when they can start on the power lines. Cramer stated that they need to start now.

Brent Thompson moved to adjourn the meeting, Thomas Halley seconded the motion and it passed unanimously.

Respectfully Submitted: Beckie Thompson