



SPECIAL URBAN RENEWAL AGENCY MEETING
Monday, February 14, 2011 at 3:30 p.m.
Ketchum City Hall, Ketchum, Idaho

Present: URA Chair Randy Hall
URA Vice Chair Baird Gourlay
Commissioner Mark Eshman
Commissioner Larry Helzel
Commissioner Nina Jonas
Commissioner Curtis Kemp
Commissioner Trish Wilson

Also Present: Gary Marks, Executive Director
Lisa Horowitz, Community and Economic Development Director
Susan Buxton, Attorney
Lisa Enourato, Planning Technician/Assistant to City Administrator

1. CALL TO ORDER

The meeting was called to order by Chairman Randy Hall at 3:35 p.m.

2. COMMUNICATIONS FROM THE BOARD OF COMMISSIONERS

Chairman Randy Hall – Repeat after me, “I, Mark Eshman, do solemnly swear that I will support the constitution of the United States and the State of Idaho and the laws and ordinances of the City of Ketchum and that I will faithfully discharge all duties of the office of the URA for the City of Ketchum according to the best of my ability.”

Commissioner Mark Eshman – I, Mark Eshman, do solemnly swear that I will support the constitution of the United States and the State of Idaho and the laws and ordinances of the City of Ketchum and that I will faithfully discharge all duties of the office of the URA for the City of Ketchum according to the best of my ability.

Chairman Randy Hall – We need to talk about a future agenda. We also want to talk about the meeting times; when we meet, why we meet on Council meeting Mondays as opposed to having completely separate meetings and whether we want to do this meeting annually or semi-annually. We also need to have a conversation about consolidating all the in-lieu housing funds onto the 2nd and Washington Street property now that we know that the Town Square is not going to be developed as housing. We also need to talk about the old Chamber property if we want to.

Commissioner Nina Jonas – I also want to talk about when we are having that meeting and following up on the potential Friday advertising or consolidating with other governments to advertise.

Chairman Randy Hall – These issues are important and we need to put them on the agenda and have a discussion at some point in the future. When is it appropriate and how much detail can we get into on some

of these items we just discussed? It's not on the agenda; do we have to have another meeting to discuss these in further detail?

City Attorney Susan Buxton – If it's something you could have put on the agenda or is not urgent, we would put it on a future agenda for action. You already have an agenda and have commissioner comments and you could bring up comments and ask that these items be put on a future action but there would be no action.

Chairman Randy Hall – We need to have a complete conversation about the in-lieu housing money and how we want to consolidate it, comments about Town Square and the ad we ran seeking interest in food and beverage interests for that property, and a discussion about when we meet.

Commissioner Nina Jonas – I do think there is urgency in regard to the Chamber being that the RFP is out there.

City Attorney Susan Buxton – There is 24 hour notice required.

Community and Economic Development Director Lisa Horowitz – Our idea was that at the closing of the RFP to bring it to you as a full agenda item with any proposals we may have received. Do you want to talk about it before that time period is closed?

Commissioner Nina Jonas – I thought Phyllis Shafran brought up an interesting point during the Council meeting that if it is a URA property and we're looking at an RFP, how we had not spoken about it at the URA level before putting it out there.

Community and Economic Development Director Lisa Horowitz – We brought up at the Council level the RFP for a City website and you didn't talk about that at the Council meeting.

City Attorney Susan Buxton – Every RFP has a clause that says the Board has the opportunity to reject any RFP for any reason at all.

Commissioner Larry Helzel – The issuance of the RFP; it's non-binding on the Commission.

Chairman Randy Hall – This was a case where somebody sought us out and we didn't have a process in place so we decided to open it all up. I'll leave that to the Board whether you want to have a further discussion or not.

Commissioner Larry Helzel – We should and I'm happy to meet next week and put that on the agenda.

Vice Chairman Baird Gourlay – Let's have this meeting earlier than the next Council meeting and just have this one discussion item.

Community and Economic Development Director Lisa Horowitz – That's fine; with the closing period being at 2:00 on Friday, you won't have a staff report.

Vice Chairman Baird Gourlay – I'm not looking for a staff report; just the RFP and a general discussion amongst the 7 of us would be healthy and get us up to speed. This shouldn't take more than ½ hour.

Commissioner Nina Jonas – Can we talk about annual meetings at the same time?

Chairman Randy Hall – We can't get into specificity about when we want to meet and how we want to meet.

Vice Chairman Baird Gourlay – We can talk about it but don't have to make a decision.

City Attorney Susan Buxton – You would put on the agenda, a discussion and decision on annual meetings.

Commissioner Larry Helzel – We can't discuss the frequency of meetings tonight?

Vice Chairman Baird Gourlay – Isn't the frequency dependent on how much business we have in front of us?

City Attorney Susan Buxton – If you're asking for it to go on the agenda, you should ask that you come back with ideas from staff as to the frequency of meetings and how you set regular meetings and special meetings.

Chairman Randy Hall – We will have these on the agenda for a 4:45 pm on Tuesday, February 22, 2011.

Executive Director Gary Marks – This analysis was done by Stephanie Bonney. There are 5 legislative bills so far and probably a few more to be introduced. The bills would change the URA in various ways, almost all of them could sideboard the limitations on what we do and one of them actually seeks to repeal the law. We have some significant challenges this year in the legislature that we have to address. I've worked hard in pulling together other agencies across the state. The result of that effort is that an Urban Renewal Agency Association has been created. I am on the Board of Directors and am the Board member that's been assigned to the legislative community. Our legislative strategy includes trying to marshal our private sector partners to speak on our behalf on the benefits of urban renewal financing on various projects; the results being the jobs that have been created and the tax revenue impact on the State of Idaho. The State of Idaho is going through a difficult budget process this session and we don't believe the connection has been made for most legislators that there has been significant economic activity created through the partnerships that private sector has with urban renewal agencies that has, in turn, created tax revenue for the State of Idaho. We are also making an effort where the agencies are contacting their legislators and working on the committee level to organize our presentations there. There is a hearing this week before the House local government committee where these bills will be up for hearing. I will be there with other representatives and private sector parties. We have significant challenges in the House of Representatives.

Vice Chairman Baird Gourlay – HB96 is the one about districts being able to opt out of the RAA. Is that the school district?

Executive Director Gary Marks – Yes, the school district, the county, recreational district. All districts would be given the opportunity to say they don't want to be in it. That would multiply the incentives for districts getting out and what you would see is the City's portion of the tax rate applied to urban renewal, which defeats urban renewal.

Commissioner Larry Helzel – HB98; if the whole act was repealed, what would the affect be on the URA and our bonded indebtedness.

Executive Director Gary Marks – It grandfathers in those existing debts and the existing districts as I understand it. Going forward, no other districts could be created. This repeals the economic development section of the URA and leaves the blight section in. The economic development section is primarily what we are most interested in. It would put a stop to anything looking forward that we wanted to do.

Commissioner Larry Helzel – Even if we, in the next meeting or two, carefully identify and sequence the projects that we wanted to do?

Executive Director Gary Marks – That’s uncertain and I would have legal counsel weigh in on that.

Commissioner Curtis Kemp – That would nullify the River Run agreement.

Executive Director Gary Marks – No, it would not nullify it but could possibly freeze. All of this is still unknown. As it stands now, our agreement with River Run would be protected.

Chairman Randy Hall – Last year, Wally and I went over and they weren’t interested in what I had to say but when Wally told them that this bill, as it were proposed then, if it were successful, it would kill the River Run deal. The majority leader pulled it and gave Wally enough time to go through the process, get established and get the development agreement done and then told us they would be coming back this year to make more changes. My opinion is that they don’t see the connection in that the URA is indebted to create new jobs and new revenues, which is clearly what the state is desperate for right now with \$130 million deficit. The last thing we want to do is kill the only tool in the City’s toolbox that actually creates jobs.

Commissioner Trish Wilson – Where do our local representatives stand on this issue?

Executive Director Gary Marks – They have represented that they are interested in supporting urban renewal activity along the lines that we have. They are in support of maintaining the authority we have right now.

Chairman Randy Hall – We have 25 URA districts being represented by this association which we didn’t have last year. We have an organized effort at speaking to the legislature. They understand it’s not just from Ketchum or the capital city but from URAs across the state. The Senate side seems to have a greater understanding than the House.

Commissioner Nina Jonas – HB97; does that limit the ability to amend the plan in future years?

Executive Director Gary Marks – This is the one that essentially will freeze us into what we have now.

Chairman Randy Hall – Do we also at the meeting on Tuesday want to talk about the in-lieu housing? Let’s do it at 4:30 then and will add the conversation about consolidating the in-lieu housing obligation on 2nd and Washington.

3. COMMENTS FROM THE PUBLIC
a) Comments from the public.

Phyllis Shafran – Who did the agenda for this meeting tonight? In the Urban Renewal Agency minutes that you’re going to accept tonight, Executive Director Gary Marks said he should put this on the annual meeting agenda; all that you just brought up. It should have been on the agenda tonight.

Executive Director Gary Marks – The reason it wasn’t on there is because things have changed since then. There was an application received for an affordable housing project on 2nd and Washington and we felt that for this meeting, we weren’t prepared to talk about that. It wasn’t missed or forgotten. Things change.

Phyllis Shafran – If these things aren't put on until Friday afternoon, people could pick up some of these things that have been changed. I looked on Thursday and these things were talked about on December 6; getting this information out earlier. It's in the minutes.

Executive Director Gary Marks – All of the information was posted on the website on Thursday.

Phyllis Shafran – I'm sorry, that must have been after I looked. One of the things I talked about was the bonds. I had my banker call Wedbush because I was interested in buying the bonds. This was before they were issued. He was told that they none of the information was available for public. This was before the bonds were issued. Were certain people able to buy the bonds without it going to the public?

Executive Director Gary Marks – That statement makes no sense to me and I don't know why that response was given to her banker and we should look into it.

Commissioner Mark Eshman – I'm an investment advisor and I had a number of my clients call asking for those bonds. We called Wedbush and were able to get a very large allocation. That was before I ever even heard about the URA. Your banker obviously didn't have access to Wedbush.

Executive Director Gary Marks – I need the names and will have Wedbush check that out.

Phyllis Shafran – That was Brett Barton at US Trust in Boise.

Chairman Randy Hall – I had about ½ dozen friends who wanted to get into the action and they were able to get all that information.

Commissioner Mark Eshman – It's very possible they didn't want to sell them to a competitor, which often happens on a new issue. If you called Wedbush directly, they would have sold them to you.

Phyllis Shafran – The in-lieu housing, the footnote.

Chairman Randy Hall – If we move the in-lieu housing money, do we still need the footnote we talked about earlier?

Executive Director Gary Marks – The absence of the footnote might perhaps allow us to forget that the money was spent on property and therefore, the property might not end up being used for a housing project. The point is that potentially in the very near future, to facilitate the housing project that's about to come through the housing process. The thought is that the issue would go away because it would clearly be property purchased with housing money and used for a housing project.

Chairman Randy Hall – What's the best way to demonstrate to a community that these funds that were collected for in-lieu housing are restricted as such? Is it through this process or through a resolution or just by virtue of putting housing on the property?

Executive Director Gary Marks – Having affordable housing on the property the money was used for is the ultimate solution. To get there, you probably have to pass a resolution and there would be some sort of transfer instrument that legal counsel will develop that demonstrates how that transfer of funds is working. These are funds that have already been spent. We would take the housing money spent on behalf of Mountain West and transfer that value to the 2nd and Washington property.

Commissioner Larry Helzel – We only produce financial statements once per year and the year ends September 30. It seems reasonable that if this issue hasn't been solved by contract for development by the end of this fiscal year, it should be footnoted in the 10/11 statements. If it is made moot by a contract for development, then it won't be.

Executive Director Gary Marks – That's the two possible courses this will follow.

Phyllis Shafran – This was supposed to be footnoted on last year's. There was a letter written between Jim Donoval and Ms. Bonney. She wrote back saying that at last week's Ketchum City Council meeting you suggested that there might be additional language added to the URA audited financial statements to reflect the restricted nature of the portions of the 1st and Washington and Mountain West Bank building property that were attained through the use of Ketchum restricted in-lieu affordable housing funds. I have attached language that I suggest we add a footnote for of the URA audited financial statements, also attached. I believe that the numbers are accurate based on Mr. Marks' presentation and that the total in-lieu affordable housing funds used between 2006 and 2008 was \$1,495,830. Please note that this footnote disclosure is probably required. I suggest that the URA require Mr. Brown to add this language to footnote 4 of the September 30, 2010 audited financial statements. I would like to see it on the audited financial statements of 2010.

Chairman Randy Hall – We can't make this decision until it ends up on the agenda the next time. Again, there have been new developments and new direction for that money that's transpired since the December 6 meeting. We'll address that in more detail at the February 22 meeting.

Annie Corrock – In the state statutes, it states that the commissioners shall serve for terms not to exceed 5 years. Does that mean that you can't be a commissioner for over 5 years total?

City Attorney Susan Buxton – You can have successive terms but your term is 4 years.

Annie Corrock – Regarding who should be chair or vice chair; I'd like to see it mix up a little bit. It's stayed the same since the URA formed in 2006. There is a bit of a conflict; I don't think the Mayor should be the chair of the URA when those are supposed to be two separate arms. Listening to the things that have come up since December until now that have made it difficult for agendas to be written; it seems like there is a conflict. Having someone other than the Mayor, and preferably someone that isn't on the Council, act as chair and go through and learn what the URA is about, would be a great comfort to the public. You talked about the new jobs that this is creating yet we don't have meetings scheduled, we haven't talked for a couple years about actual projects being done. Can you come and say what new jobs and what new revenues this URA has created in the last two years or even during the entire length of it and put a date marker on it. There were promises when it started of the streets being cleaned up; the CIP was approved with fixing up the sidewalks and having lighting. Those were important to the people when the URA was started and also included a parking structure on Leadville and 6th, which has since been scratched 6 months after the CIP was adopted. These are things that people counted on. When things get changed, it's frustrating to sit back and not see anything happen.

Commissioner Larry Helzel – Is it a mystery to the community that there hasn't been any development of consequence for five years now in the town? Is it a mystery to the community that the URA can only get funds as a function of new development and due to the economy, there has been none and we don't have any money to spend yet? Why is this concept so difficult for people to understand? All they have to do is look around.

Annie Corrock – When it's been brought up and over the past couple years, it has been promised that there was millions of dollars coming in and it was moving ahead and was healthy. We've read headlines and newsletters; you have led the public to believe that this was moving forward, that the tax increments were in place for improvements for our town.

Chairman Randy Hall – That's happened with regard to the money we brought in in the early years and that's happened in the Fourth Street Corridor. In terms of creating jobs, millions of dollars were spent in creating jobs. The economy has leveled off; there have been no new developments so there's been no increase in increment. What we've done as far as the future goes is negotiated and partnered with developers in order to create incentives to get three hotels going; Warm Springs, Bald Mountain Lodge and River Run. When the economy does turn around, they can get financing. It's not a static situation. Everything now is on a flat trajectory until we see growth in our community again. When we had money coming in, we spent it on enhancing the quality of life of our community and enhancing the businesses around the Fourth Street pedestrian area and we intend to finish it and continue on that path.

Annie Corrock – There is this big concern out there because that money was borrowed and it is because we were told there is \$500,000 coming in every year to the URA but now it's all going out in paying off the debt. When the public has been sent newsletters, that really doesn't come across clearly.

Chairman Randy Hall – I have to stop you there. Your public and my public have different definitions. I made it clear in my campaign for Mayor what my platform was with regard to the URA and I was elected again. We communicate very well. I don't understand that when you say public, what is it that you mean by public? I talk to people every day. We're always trying to do deals on different levels. The only time I hear anything negative about what we're doing comes from you and Phyllis.

Annie Corrock – That's an interesting comment that leads me to comments from the other night talking about the Comp Plan and the economic development. Maybe you're not getting to all the people.

Chairman Randy Hall – Annie, we disagree. I put my platform out there for the last 15 years and I get elected. I am representing the constituents that hired me to do a job.

Annie Corrock – Which would be 100% of the community for whom you are a representative?

Chairman Randy Hall – I am a representative of 100% of the community but I also understand that my job and agenda come from the people who voted for me. This is not an appropriate conversation for us to have now. We are talking about the URA, which is a huge benefit to this community. We have demonstrated good stewardship of that money by the investments that we made through a public process, many meetings and two elections. This is a sophisticated community and most of the people in this community understand what our vision is in terms of the URA.

Annie Corrock – I would like to see what your outlooks are for some improvements on our streets, what your priorities are and where those lists are. It would be nice to have these meetings on a regular basis. I don't know who you listen to because I don't see those people in here. We could get people in here talking about what our priorities are. You have 7 people here who are willing to serve and I would like to see some of these projects move forward and not spend the next 5 years or so hanging onto the ones we've done. I'd like to see what's going on with Washington and 2nd. It was bought and paid for awhile ago. It creates no revenue. There were plans and they just go away.

Chairman Randy Hall – They don't go away. There's a Planning and Zoning meeting happening tonight after this meeting that will be entertaining an application for a housing project on 2nd and Washington.

Annie Corrock – We're asking for communication. We hear about projects and it doesn't happen and goes away.

Vice Chairman Baird Gourlay – You're talking in circles. Larry just described that there is \$455,250 a year. Part of that goes to the almost \$600 million in assets that we have. There's no money leftover to talk about projects until there's further development.

Chairman Randy Hall – That is not uncommon. This is how URAs operate. You establish a URA, trend the revenue for a couple years, and leverage that so you can do what we've done, which is pull money into infrastructure, quality of life and buying property.

Executive Director Gary Marks – One of the strategies is the prime the pump idea. We make some initial investments and borrow against the early increment.

Commissioner Larry Helzel – I was at a meeting a year ago where you made an excellent presentation to the housing authority; URA 101. You went through the whole thing. I don't think you've done this at a public meeting in Ketchum. I think it would be appropriate to have this at a City Council meeting and you could explain this. It was an outstanding presentation and very helpful.

Executive Director Gary Marks – I would be happy to do that.

Annie Corrock – Another concern and one of the reasons this was brought up is that you have on your agenda that you're putting employees on a halo. I don't know how it gets paid for. Originally, it was an agreement that for \$1, you could use City staff. Now, you're putting people in to help out with the URA, yet there are no projects.

Vice Chairman Baird Gourlay – You requested that the website get updated. Who does that? Staff.

Annie Corrock – We would like to see capital improvements as the public.

Chairman Randy Hall – You are seeing them; Fourth Street and the Town Square are perfect examples of capital projects.

2 a) Appointment of Chair and Vice for 2011.

Chairman Randy Hall – I don't mind doing it but I am not enamored with it.

Commissioner Larry Helzel – I think it would be appropriate and beneficial to have one of the appointed Commissioners serve as vice chair for the year. That might accelerate the involvement and learning the process and would be a good chance for them to get ready for the following year.

Chairman Randy Hall – The responsibilities of chair is staying connected with Gary and legal on communicating to the Board. I'm still going to be focused on URA stuff whether I'm chairman or not just by virtue of what this organization means to the City.

Commissioner Nina Jonas – In the spirit of bringing the new members onto the Commission, I do like the idea of nominating either Trish or Mark as chair or vice chair. I also think it would create a nice loop of communication between you as the Mayor and Gary as City Administrator as another member of the public outside of us.

Commissioner Trish Wilson – I don't think that someone with as little knowledge as I have could be the chair of meetings.

Commissioner Mark Eshman – I think vice chair would be appropriate.

Chairman Randy Hall – Mark, you've gone to board meetings, studied the Rexburg decision and have a pretty good feel for what's going on in this organization, which is still in its infancy.

Vice Chairman Baird Gourlay – It's critically important that the Mayor or President of the City Council is the chair. I lean toward the Mayor because if someone is going to bring a project to Ketchum, they're going to talk to you first about all the different mechanisms to help them bring a project to fruition. As the chair of the URA and as the Mayor, bringing those projects forth to us is totally connected. What normally occurs in URAs?

City Attorney Susan Buxton – The Supreme Court held that there's no conflict of interest for elected officials of City Council to be on the board or the board itself. It's whatever you want. In the infancy of this URA, it's one of the few URAs that I've seen in my 21 years of doing this that has made as many capital improvements steps as you have. You have quite a bit to look at and keep in mind. Some of the things are backwards. Different cities across the state are more concerned about unelected officials holding this office versus elected officials holding this office. It's all over the place. I can't tell you if there's any right way to do it.

Vice Chairman Baird Gourlay – I would like to have one of the new members as vice chair and keep the Mayor as chair.

Commissioner Larry Helzel – I second that.

Commissioner Trish Wilson – I nominate Commissioner Mark Eshman as vice chair for the URA board. I think Mark has a strong background; stronger than mine.

Commissioner Larry Helzel motioned to nominate Mayor Randy Hall as Chairman of 2011 of the Ketchum URA and Commissioner Mark Eshman as Vice Chairman. All approved Mark Eshman as Vice Chair. All approved of Mayor Randy Hall as Chair.

Chairman Randy Hall – Your statement of someone coming in and wanting to do a development and wanting to bring an idea is appropriate. As Chair I can speak for both the URA and as Mayor for the City.

Vice Chairman Baird Gourlay – We don't want a developer to come in and have to have two meetings. We've talked about streamlining those kinds of things.

Commissioner Nina Jonas – I think that if someone comes in and talks to a Councilman, there could be potential conflict.

4. RESOLUTIONS

a) Resolution 11-URA1: Appointing staff to the Board of Commissioners; and providing an effective date – Gary Marks, Executive Director.

Executive Director Gary Marks – The resolution formalizes what we've been doing since the formation of the district and recognizes four positions; Secretary Treasurer, Executive Director, Legal Counsel and our Community and Economic Development Director. It's just a formalization which probably should have been done before.

Commissioner Larry Helzel – This has no budgetary impact other than that which is already in both the URA and the City budgets for this fiscal year.

Executive Director Gary Marks – This is a budget neutral question before you.

Commissioner Mark Eshman – One of the considerations and concerns I had when Randy approached me for this was that this would be a rubber stamp organization; that there wasn't going to be independence. He assured me that I would have a voice and that he had already asked Trish, which gave me confidence that this would be truly independent of City Council. Optics are really important, especially in light of what's going on in the legislation. Anything that gives the appearance that the City and the URA are one in the same is a bad fact and could be used against this whole legislative process. I don't think Ketchum wants to be a poster child for that. One of the issues I have is the idea of sharing legal counsel with the City Council; this could be problematic. I looked up the definition of conflict of interest in the bar association and the definition is "when two parties are adverse to each other", which will hopefully not be the case. I think that optics are important and there could also be the temptation for the City to treat some legal matters as URA matters which could be compensated out of the URA budget not the City budget and the URA budget at some time could be pretty substantial. There are work arounds to keeping the same legal counsel but my suggestion would be to go through an RFQ process for the URA to keep things as conflict free as possible. As time goes on, the legal representation will be more and more important. This is not in any way to disparage the City's legal counsel but I think it's something to consider.

Chairman Randy Hall – You bring up a good point and one that I've talked with Susan about and we've had this conversation before. I encouraged Mark to bring this up for a roundtable discussion so that we can all weigh in. I know that experience is another reason why we went there and Susan can speak to this, but we want to be sure we have a law firm who is well versed in URA.

Commissioner Trish Wilson – Who researches who has URA experience?

Chairman Randy Hall – I think that would be Gary as Executive Director; that we could task him with putting together an RFP that would state certain criteria. That still doesn't preclude Susan from wanting to work for the Board.

City Attorney Susan Buxton – We represent over 24 cities with general counsel. We also represent URAs yet there are some of who don't. If there is a conflict of interest, then we would get separate counsel for that in those types of situations. This entity originally had different legal counsel and it is no longer them. Right now there are no conflicts but I have no problem with this suggestion. We are bond counsel and there are only three law firms in the City of Idaho who are in the Redbook. When dealing with bonds, you must have bond counsel. We were always bond counsel for this URA.

Commissioner Mark Eshman – Were you bond counsel at our recent bond issue.

City Attorney Susan Buxton – Yes.

Commissioner Mark Eshman – Who we had before did not work out very well with us. That would leave us with either Susan's firm or Hawley Troxell.

City Attorney Susan Buxton – There are firms who could serve as URA counsel but they could not serve as bond counsel.

Commissioner Nina Jonas – I tend to think that to do this for reasons of formality is not sufficient. I am concerned about some of the optic issues that Mark brings up and I'm also concerned about the transfer of dollars in labor to the URA budget. This might help facilitate that.

Chairman Randy Hall – You mean create several degrees of separation.

Commissioner Nina Jonas – Putting more salaries in and administrative costs into the URA budget out of the City budget.

Chairman Randy Hall – Gary, at some point, maybe when it's when we do this URA 101, you bring up the rationale for why you're paying certain employees out of the URA and what your reasoning is for that.

Executive Director Gary Marks – We have a cost allocation plan that was put in place about 2 years ago that looked at the distribution of work. There's no employee who's 100% funded. In fact there is no employee who is majority funded out of the URA. It's bits and pieces of various people; roughly calibrated to the time we've been able to estimate that each person spends relative to their job on URA issues. It's an exercise we've been through and I'd be happy to show this.

Chairman Randy Hall – There's a perception that the City is dumping a bunch of costs into the URA so that somehow the City gets to be the beneficiary of that. I've heard that and we need to continually remind people why we allocate.

Executive Director Gary Marks – We've been very methodical about the decisions we've made in that regard and I can show anybody who wants to know how those allocations take place.

Chairman Randy Hall – Not at the meeting on the 22nd but after that we can have that discussion and you can explain to this board why you're charging us certain FTE from City employees so we all have an understanding. We can then debate whether that's appropriate or not.

Commissioner Curtis Kemp – Mark brings up a good point but I don't feel as strongly about that as he does. I wouldn't be in a big hurry to have different legal counsel.

Commissioner Larry Helzel – I think we should take this one year at a time and until the URA funded activities become more complex, I think the economies we're getting by using Moore Smith more than outweigh the optical issue. I recommend we keep things the way they are for 2011.

Vice Chairman Baird Gourlay – Looking at the budget, we used to have legal expenses and now I believe it's lumped under professional expenses. Is that correct?

City Attorney Susan Buxton – We have a separate line item in our billing.

Commissioner Mark Eshman – Does the URA have a separate engagement letter?

City Attorney Susan Buxton – I don't believe so. They do for bond work.

Vice Chairman Baird Gourlay – Maybe we could clarify that. I agree with Curtis and Larry that it would be nice to know exactly what it is but the economies outweigh.

Executive Director Gary Marks – There is an economy of scale just as a matter of information. I don't think that the piece we're paying them now, that you could get another firm to just focus on the URA.

Chairman Randy Hall – My suggestion is to pull in that information and continue this discussion. In the meantime, Mark could talk to Susan, Stephanie and Gary to get more of an understanding about what we're doing and if we can get you comfortable enough to get through this fiscal year and when it comes budget time in the next year, we can revisit this.

Commissioner Mark Eshman – At the very least, we should get a separate engagement letter so there is one between Susan's firm and the URA.

City Attorney Susan Buxton – There is a separate one for bond counsel and the engagement letter we have for the City encompasses both the City and the URA.

Commissioner Mark Eshman – I also think in terms of keeping things separate, you can identify exactly who on the URA can initiate legal work for the URA. That might also keep things separate. We don't want to get into a situation where someone is accusing the URA of dipping into City budget or piggybacking.

Vice Chairman Baird Gourlay – Did we vote the Vice Chair or do I take over the meeting as Randy has to leave.

Commissioner Larry Helzel motioned to approve Resolution 11-URA1: appointing staff to the Board of Commissioners, seconded by Commissioner Curtis Kemp. The motion was approved 4 – 2, with Commissioners Jonas and Eshman voting no.

5. COMMUNICATIONS FROM LEGAL COUNSEL

a) Legal overview of Urban Renewal Agency law in Idaho – Stephanie Bonney, Legal Counsel

City Attorney Susan Buxton – Your agenda states that Stephanie Bonney would be here but I will discuss this. My understanding is that Gary asked to discuss basic Idaho Urban Renewal Law 101. There's a lot of legislation going on that may amend some of these things but generally urban renewal will probably have some of the same types of set ups whether you have changes or not. They've attempted to do this several years in a row. Stephanie, Mike Moore and I are bond counsel and also are the partners that represent urban renewals in cities with regard to financing issues. We have been heavily involved in the legislation and testimony. I thank Randy and Larry and Curtis for all their work. Now there is a group of URAs together which helps to bond the state. What you have accomplished in 4-5 years is incredible compared to what other cities have accomplished or not over the life of their URAs. When you're talking about what monies you will get into the URAs, you're sitting in a better position here than most places in the state are. The Idaho Renewal Law started in 1965 and it allowed cities and counties the ability to create an agency to improve deteriorated areas; dilapidated, deteriorated, obsolete, inadequate provisions, etc. Downtown Boise has a lot of property that

were just terrible pieces of property. The urban renewal purchased them and mowed them down. It also talks about open spaces, high density population, existence of conditions which endanger life and property, etc. It gets specific. When you talk about deteriorating area, it's more like areas where there are defective or inadequate street layout, faulty lot layout; that's really common in this state. It talks about the lack of development, underdevelopment. The Urban Renewal Law allows power to create programs for utilizing private resources to eliminate and prevent slums and encourage needed urban rehabilitation or advocate such activities or other feasible municipal activities that suitably meet ways to achieve the objectives of the program. You have your capital improvements program that you need to establish your goals for your URA. One of the things Gary was asked is does that mean you can't amend our plan. One of the issues in the legislature, which is not coming out of Blaine County, they don't want them to amend their plan because we don't want them to keep the plan going and to have them amend it so they can do that. In a URA like yours where you're able to do things in less than 20 some years, it would be a sad thing. It would eliminate the ability for you to actually do something and increase the values. One of the things that increase the values is to encourage the needed urban rehabilitation.

Commissioner Nina Jonas – Is economic underperformance a deteriorating area? Is that language used in here?

City Attorney Susan Buxton – It's not used in the statute but the case law and the bond, etc. has found that they have underperforming properties in an area that they can define through the working program and the broad language of the statute to allow to change the use by purchasing that and redeveloping that and creating jobs and opportunities. A lot of that is putting in public infrastructure; street, sidewalks, parking facilities, parks. Those are also attractive as enterprises go in and create something new and different. Sometimes we'll see some downtown housing but most of it is commercial. When you do your plans, it's very important to describe what you're going to use it for so that you don't run against the key issues when you're redeveloping areas which are deteriorated under the terminology. Urban renewal agencies by resolution you have to find these things, more deteriorating areas. You have to have a physical legal description and the rehabilitation, conservation, redevelopment or combination of those necessary to the interest of the public, health, safety and welfare and the need for urban renewal. You couldn't find that some private entity would do the improvements with the assistance of the city creating an urban renewal agency. The agency is important because you have as an urban renewal agency, more of an ability for public financing of improvements that benefit that area. You couldn't take funds you got from taxpayers and put them elsewhere. You have to do it in that urban renewal area. After the 24 year period, the values of those properties have gone up because you've eliminated the blight.

Commissioner Nina Jonas – Is there a definition for need or proof defining need under 3?

City Attorney Susan Buxton – The Council can designate subject to open meeting laws. You have to have a plan that identifies how you're going to meet the criteria of the urban renewal. You have to create that plan and submit that to planning and zoning for review. It has to have a public hearing and has to be prepared for up to 10 years. It has to include that the findings are necessary and if families are going to be displaced in a deteriorated area, such as mobile home parks, you have to provide housing, such as community housing. We generally don't see the URA buying properties from a nonwilling seller but they do have the ability for condemnation but we try not to do that. You have to make sure you plan conforms to your planning and zoning and subdivisions and your comprehensive plan. It gives adequate consideration to park and recreational facilities, desires of the neighborhood and a plan providing for the rehabilitation or redevelopment of the urban renewal area by private enterprise. That's the key part. That's generally what you're going to do. Sometimes URAs are so small that that's all they can do; make it safer for deteriorated

areas by putting better roads in, sidewalks, lighting and maybe some parking. Some get so big that they have to keep using city funds to funnel into them. Nampa had that problem so they terminated the urban renewal. You can acquire real property, you can sell things or transfer real property, and you can lease it. An example is Sandpoint property that the city owned and it was hard for them to take care of. They gave a 99 year lease to some people who turned it into a commercial area and now Coldwater Creek is located there and they leased it for a nominal amount of money. The Idaho Supreme Court held that the City Council had the ability to lease their property to whatever they thought was a reasonable rate to the benefit of the public. You can lease city owned property and as long as it's in the urban renewal area, the URA can do the improvements on it; even though it's a city property.

Commissioner Larry Helzel – Can a URA operate a business?

City Attorney Susan Buxton – Boise's URA operates most of the downtown parking garages because the operation of the garages are paying off the bonds, the revenue bonds they utilized in order to build those garages. The question is what happens when the URA is over. Those parking garages will then revert to ownership by the City of Boise. I'm only aware of one parking garage in downtown Boise that is a private parking garage; the rest are URA parking garages. The courthouse facility is a little different. It was done with URA funds and you have a public/private partnership where they had the URA complex to build the University of Idaho water center as well as for the Ada County Courthouse. They have a very complicated agreement for management and ownership of the parking facilities, for the transfer of ownership of the development of parcels. There are two more key parcels to be part of that URA and would be great retail with residential on top. You have the ability as the URA to somehow run those facilities to pay back the bonds and then pay back some of the private entities that invested to get that done as well. You can do it. You're all aware of bonds. Cities are not allowed to incur a debt beyond one year without the vote of the people or a judicial confirmation confirming that the debt was ordinary and necessary; that you had to do it now before you could save the money. Revenue allocation is a tax increment financing. If you use the tax increment for economic development, it enhances the ability of the plan to look beyond just a blighted area. URAs are not alter egos of the cities. Even though you have City Council sitting as the URA, you can't contract with each other on the books. You have to watch the conflict of interest and we do pay attention to that.

Commissioner Mark Eshman – Why are the legislators trying to appeal the state URA codes if the state has already ruled that they are not alter egos? On what basis are they trying to appeal this?

City Attorney Susan Buxton – They either like a situation or not. It depends on the squeaky wheel. We've seen these URA concerns coming up and had some people come out of north Idaho and were very upset about the Coeur d'Alene URA and argued that the URA was buying stuff that wasn't part of their plan that benefitted entities by they didn't like it. When asked the question to show them where they misused funds, they couldn't do that. They didn't show fraud but there is a perception that you're using tax money to build a parking garage or a bunch of sidewalks that you don't really need. There's that mindset of people that don't think that public funds should be used for certain things. There's not a lot of sense to be made of it after sitting through the public hearings. If you look at Blackfoot and Burley who came in with their testimony and showed that they put in all these public facilities including using the tax increment to build the ethanol plant in Burley that benefits in creating jobs, a market for the farmers; the legislators have a really hard time arguing that that was a misuse of public funds, tax money and the thought of freezing your ability to tax for this other beneficial purpose because it came back to them in spades. Even asking the folks up north why they don't like it, they can't point to specific bad acts and just don't like it. They don't like the fact that they can't vote for the URA members. Supreme Court says you can have the whole City Council on it if you want to because you vote for them. So, you're seeing one instance of legislation where the URA Board members have to be elected officials.

In other places, they would rather have folks that are disinterested and not subject to political pressures to analyze informed decisions as business people in the community. You don't see a pattern.

Executive Director Gary Marks – Everything Susan is making as far as reasoning for the legislation that we're seeing are valid. I'll just add to that that there is a better URA philosophy that some legislators hold that local government should be involved in only those things that are very typical of municipal government; water, sewer, police, fire and maybe parks and recreation. Beyond that, when local government starts to stray into economic development there is a philosophical disconnect for some folks where they don't believe that's a proper role for local government. Therefore, you see bills being introduced that would do away with urban renewal because that is hurting a local economic development tool; those folks who say that all economic development should be driven completely by the private sector. That's not all legislators but there are some that hold that philosophy.

Commissioner Mark Eshman – Those are the free market guys?

Executive Director Gary Marks – Yes.

City Attorney Susan Buxton – That group of people who are criticizing URAs for coming out of these areas and are testifying to the legislature are also adding by saying these are projects that are utilizing public funds that this board makes decisions on that we don't get a chance to vote on for a bond. You don't have to because the court has upheld that the URA has the ability to issue bonds without going to the vote of the people. That is one of the things that is big; the public should be able to vote how our public officials use our money. There are other issues on how that wouldn't work. Cities and counties in this state have very little ways to raise funds for public infrastructure; you have a 3% cap on your taxes, you have to save a lot of money and go to a vote. Usually you're doing things that are ordinary and necessary for public infrastructure facilities. They'll say it's okay if you do a note to construct it but we issue bonds if you don't have the vote of the people. An example is Eagle who had properties they purchased and they wanted to use it for City Hall. They couldn't get a bond passed; they missed by .5% and then couldn't even have meetings. They put out an RFQ and said to developers, who would like to build us a City Hall on our property? We'll give you a ground lease but we have the right to walk away with any notice we give you. We'll lease this City Hall that you build. We'll pay you rent on it but if we decide we want to leave, you can't hit us with penalties or interest. Two developers wanted to do this. It was built and now the City of Eagle has a City Hall that is owned by a private developer that they pay rent on but it's sitting on City property. Recently, with the downturn of the economy, they were able to get the building owner to reduce their rent and now they want to go out for a bond and buy it. The base assessment role of the revenue allocation area is something the legislature is very concerned about and wants to have restrictions on how that is determined.

Executive Director Gary Marks – We have a long agenda to accomplish in 10 minutes.

Commissioner Larry Helzel – We can meet on Tuesday and run over into the P&Z meeting.

Community and Economic Development Director Lisa Horowitz – We have quite a few people coming for the first agenda item and it's noticed.

City Attorney Susan Buxton – You can continue this to your next meeting.

Executive Director Gary Marks – My presentation is on the tax increment and budget, which will be 20-25 minutes.

Community and Economic Development Director Lisa Horowitz – Mine is 5 minutes unless you have questions.

Vice Chairman Baird Gourlay – Both are longer than we have time for. The only other thing is the consent calendar.

Commissioner Larry Helzel motioned to continue tonight's agenda items #6 and #7 be continued on the record to the next meeting at 4:30 on February 2, seconded by Commissioner Curtis Kemp. The motion was approved unanimously.

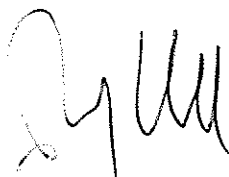
8. CONSENT CALENDAR

a) Approval of minutes from the December 6, 2010 URA Board meeting.

Commissioner Curtis Kemp motioned to approve the consent calendar, seconded by Commissioner Larry Helzel. The motion was approved unanimously.

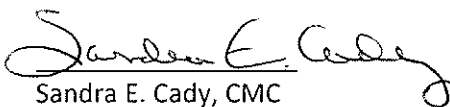
9. ADJOURNMENT

Commissioner Curtis Kemp motioned to adjourn at 5:25 pm, seconded by Commissioner Larry Helzel. The motion was approved unanimously.



Randy Hall
Chairman

ATTEST:


Sandra E. Cady, CMC
Secretary/Treasurer