



SPECIAL MEETING OF THE KETCHUM
URBAN RENEWAL AGENCY
FEBRUARY 22, 2011

This Special Meeting of the Ketchum Urban Renewal Agency was called to order by Vice-Chairman Mark Eshman at 4:30p.m. at City Hall, Ketchum, Idaho.

Commissioners present: Vice-Chairman Mark Eshman
Commissioner Baird Gourlay
Commissioner Larry Helzel
Commissioner Nina Jonas
Commissioner Curtis Kemp
Commissioner Trish Wilson

Commissioners absent: Chairman Randy Hall

Also present: Executive Director Gary Marks
Attorney Stephanie Bonney
Ketchum Community and Economic Development Director Lisa Horowitz
Recording Secretaries Lisa Enourato and Sunny Grant

1. The meeting was called to order by Chairman Randy Hall at 4:30p.m.

Communications from the Board of Commissioners

2a. Discussion on scheduling a future meeting.

Commissioner Larry Helzel moved to amend the agenda to continue Agenda item 2a, Discussion on scheduling a future meeting, and also a discussion of the proposal to lease space in the Visitor Center building, to a Special URA meeting on Wednesday, February 23, 2011, at 4:00 p.m. Motion seconded by Commissioner Baird Gourlay, and passed unanimously.

3. Request to include an in-lieu housing footnote in the FY2009-2010 audit report

Executive Director Gary Marks – You have two footnotes concerning the in-lieu housing fund that were drafted by James Donoval. Our legal counsel has reviewed these, and I have checked the numbers. Our independent auditor is currently reviewing the statement.

We continue looking backward on several issues, which takes valuable staff time. I suggest that the Board act on this today, and take a stance that, from this point on, we are going to move forward.

Commissioner Trish Wilson – As a new commissioner, I feel the year-end financials should include the statement that there are restricted funds within the URA. The financial statement should include enough information that the public or a new commissioner can understand the obligations of the URA, and know that restricted funds exist. I think the financial statement is amiss in not stating these properties are restricted.

Commissioner Curtis Kemp – I'm in favor of this.

Commissioner Larry Helzel – I'm not in favor of it. I don't think amending audited financial statements six months after the fact is a good idea. Depending on what happens with the URA parcel, which we'll discuss in tomorrow's URA meeting, we are going to transfer the housing obligation which rests on this property over to the First and Washington property, which will require another action. I suggest we defer this until we take action on the First and Washington property, which will consolidate the obligation on only one property. We can then provide a full explanation of what we've done in the 2010-11FY financial statements.

I have a concern that, if we went to market and sold bonds with audited financial statements, this revision might cause concern with our bondholders, even if it's just a footnote.

Vice-Chairman Mark Eshman – You think the trustee will require us to amend the registration statement?

Commissioner Larry Helzel – No. I just think it's bad practice. It is much better disclosure if the footnote identifies the obligation to a specific piece of property.

City Attorney Stephanie Bonney – I discussed the footnote with the State Board of Accountancy. A footnote is not required under Governmental Accounting Standards Board (GASB), but you can put more information in a financial statement than what's minimally required in the interest of disclosure. However, revising our financial statements will require us to post that to Electronic Municipal Market Access (EMMA) with the revised financial statement,

which may cause your bondholders to wonder why you have a revised financial statement. It's not a material change to the financial statement, so there's no liability regarding the sale of the bonds; and any kind of retrading on a secondary market doesn't affect the URA itself.

Vice-Chairman Mark Eshman – This meeting is public and the minutes are public. Does that serve to be somewhat of a footnote?

City Attorney Stephanie Bonney – The restriction on these funds doesn't come through accounting principles. The restriction comes through a whole host of other statutes and obligations in the use of these in-lieu housing funds. You will never be able to look at the financial statement for the City and know all of the City's obligations. That's not the purpose of a financial statement. I agree with Commissioner Helzel that it would be better to put it as a footnote in next year's financial statement. The current financials have been approved by the State Board of Accountancy, and we know they're correct.

Commissioner Baird Gourlay – We've been on record one hundred percent that we wanted to use these funds for in-lieu housing, although one of the properties may not be used at this time for housing. We have not misused the funds. I hadn't thought of the bondholders issue.

Vice-Chairman Mark Eshman – I think it's a question of whether our constituents believe that we have the best intentions for this in-lieu housing money, vs. do we want to raise the question on the capital markets that we're not as professional as we could be. We want to keep the door open to going back to the capital markets. I would agree with Commissioner Helzel and footnote it in FY2011.

Commissioner Trish Wilson – I hadn't thought about the bond issue, either.

Commissioner Nina Jonas – Since this topic keeps coming up, why didn't we discuss footnoting it before? My preference would be to put a footnote on now, and then put another footnote on if something happens with the property, so I can see the history when I see the spreadsheet; but I don't want to put us in any jeopardy with the capital market. If we postpone this now, I don't want it to be missed in the next report.

Executive Director Gary Marks – My recommendation would be to put it in the upcoming financial, and have a definite plan for handling it going forward. I'd like to get us beyond our past so we can focus on our future.

Commissioner Larry Helzel – We will make a specific directive to the CPA.

Commissioner Curtis Kemp – There has never been any intention to use the funds for anything other than in-lieu housing. We've now discussed this ad nauseum. We need to be sure we have clear direction going forward.

Executive Director Gary Marks – You could adopt these same statements in the form of a Resolution directing the footnote in next year's financial. The resolution would go on record now, and be part of the audit report next year.

Commissioners agreed.

Commissioner Trish Wilson moved to include a Resolution regarding an In-lieu Housing revision for the Special URA meeting on February 23, 2010, seconded by Nina Jonas. Motion passed unanimously.

Commissioner Larry Helzel moved to amend the agenda for the Special URA meeting on February 23, 2010, to include Public Comment. Motion seconded by Commissioner Curtis Kemp, and passed unanimously.

Comments from the Public

4. Urban Renewal 101

Executive Director Gary Marks presented a PowerPoint on "Urban Renewal 101" on how URAs work in the State of Idaho, including some of the legislative issues now being discussed in the Statehouse.

Urban Renewal is a very broad definition that facilitates improving or rehabilitating an urban area, by demolishing old or rundown buildings, constructing new affordable housing, installing new infrastructure, building public facilities, attracting or retaining businesses, promoting job creation, and enabling other community improvements.

Idaho Law provides for a city to create an Urban Renewal Agency by ordinance. Once created, URAs are separate agencies apart from the city that created them, even though the city and URA leadership may include common individuals. URAs are governed by a Board of Commissioners appointed by the Mayor. Most URAs are funded through tax increment financing (TIF). Some use revenue derived from URA-funded improvements to pay back the debt used to build the improvement, e.g., a parking garage.

TIF in Idaho is based on a revenue allocation area that is limited to no more than 10% of the City's assessed value. The revenue allocation area is typically a subarea within the city where the properties are part of the tax increment financing.

URAs in Idaho can be authorized for up to 24 years. A property's value at the time of the formation of the district is the Base Assessed Value. Going forward, the property's assessed value increases, which provides the "increment"---

the incremental assessed value. When the County, city and special districts levy their rates on this property, all those rates are compiled into a total tax rate, which is applied to the incremental change, and the resulting tax is the tax increment funds to the URA. If the value of the property drops, there is no increment.

Value increase can happen in two ways: Naturally, because property typically would gain in value; and as a result of URA-funded increased value.

URA projects include housing rehabilitation and construction, infrastructure improvements, removal of blighted buildings, recreation facilities, improvements to underdeveloped properties, acquisition of property to support URA projects, parking facilities, business recruitment and other public facilities. Each district would define the possibilities in their URA plan.

In most states, when the life of the URA is over, the tax income on the increased value reverts to the various districts, County and city. In Idaho, there is a maximum 3% levy increase. At the sunset of the URA, the 3% can be assessed on the highest levy in the past three years, so property owners within the boundaries of the revenue allocation area will frequently see a tax cut.

The tax increment can be used on a pay-as-you-go basis for various projects or use the revenue to support repayment of revenue bonds or loans. Ketchum's URA has done both. We sold a bond last year to consolidate three outstanding loans.

Since the Ketchum URA was founded in 2006, we created the Downtown Master Plan, provided part of the funding to do the Fourth Street corridor project, purchased the former Mountain West Bank building with participation from the in-lieu housing fund, and also purchased an underdeveloped property at Second Street and Washington Avenue with participation from the in-lieu housing fund.

There are several URA-related bills currently in the Idaho House of Representatives.

- Requirement that a citywide election be held for the creation of a URA.
- Requirement that URA officials be elected on countywide basis.
- Require a countywide two-thirds majority vote on urban renewal bonds.
- Allow overlapping taxing districts to opt out at the beginning of designation of the URA revenue allocation area. It's likely that most districts would opt out, which would severely limit the ability of the URA to accumulate revenues to fund its projects.
- Limit urban renewal plans to a single project. Ketchum amended its URA plan last year to include the River Run project.
- Prohibit creation of any new URAs. Existing URAs would exist until their sunset.
- Prohibit amendments to URA Plans.

I was present at House committee hearings last week in Boise to represent the Ketchum URA, statewide URA association and several other agencies. I tried to tell the committee about the support we had from business partners, including River Run, Warm Springs Ranch Resort, etc.; and that, without the URA, the jobs, land values and public infrastructure they would create would not happen. I was not well-received. The bills all passed the House today.

Commissioner Larry Helzel – The point is, without the URA to spur development, the total property tax value at the end of the agency would theoretically be much smaller, and the tax rate would have to be much higher on all County residents in order to raise the same amount of revenue.

Ketchum CED Director Lisa Horowitz showed a map of Ketchum's Urban Renewal Allocation area. The Urban Renewal "District" is the agency. The Urban Renewal Plan is the living document that has the projects and timeline for the projects. Ketchum's 2010 Urban Renewal Plan was amended last year to include River Run annexation.

Executive Director Gary Marks – You can have more than one revenue allocation area within the boundary of the agency.

Commissioner Curtis Kemp – Why did we include areas within River Run that are not buildable?

Ketchum CED Director Lisa Horowitz – At the time, there were some areas across the river that could be mixed-use; but we can delete some of those hillside areas later. The revenue allocation area is limited in value, not in size.

The key tools of the Urban Renewal Agency are the basic framework on which you will consider specific projects, and implementation of a program for redevelopment and revitalization within the revenue allocation area. The revenue allocation area is that portion of the urban renewal area where the assessed value is likely to increase as a result of an urban renewal project. The value of the urban renewal area must be less than 10% of the assessed valuation of the city. The focus of the Urban Renewal Plan is public improvements, to encourage private investment and development within the area.

Some of the projects Ketchum has in mind area Wayfinding, affordable housing, public park enhancement and expansion projects, downtown sidewalk infill, roundabouts at Warm Springs and Highway 75 at the entrance to

River Run, a First Avenue promenade, a parking structure, undergrounding electric power lines, municipal buildings, water and wastewater improvements, and completion of the Fourth Street corridor.

Commissioner Larry Helzel – We need to get periodic updates to our citizens. If none of the four hotel projects we've entitled get off the ground, the public needs to know that; as well as what sort of projects the URA may take on that are unrelated to the hotel developments, and what projects currently in our Plan have to be reevaluated since we would have a much smaller amount of money available. The community is entitled to updates on what is possible and what isn't possible, so there's no misunderstanding of the orientation of our priorities.

CED Director Lisa Horowitz – Agreed.

5. Consent Calendar

Approval of minutes from the August 10, 2010 URA Board meeting

Commissioner Larry Helzel moved to approve the minutes of August 10, 2010 URA Board meeting, as amended. Motion seconded by **Commissioner Nina Jonas**, and passed unanimously.

6. Commissioner Baird Gourlay moved to continue this meeting to 4:00 p.m. on February 23, 2011. Motion seconded by **Commissioner Nina Jonas**, and passed unanimously.



MARK ESHMAN,
Vice-Chairman

ATTEST:



SANDRA E. CADY, CMC
Secretary/Treasurer