



SPECIAL URBAN RENEWAL AGENCY MEETING
Monday, April 12 2011 at 12:00 p.m.
Ketchum City Hall, Ketchum, Idaho

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

Also Present: Gary Marks, City Administrator
Sandy Cady, Secretary/Treasurer
Lisa Horowitz, Community and Economic Development Director
Stephanie Bonney, City Attorney
Lisa Enourato, Planning Technician/Assistant to City Administrator

The meeting was called to order by Chairman Randy Hall at 12:00 p.m.

1. **Consideration of a Contract for Services with Galena Engineering for engineering services as may be needed from time to time.**

Lisa Horowitz – Stephanie Bonney prepared a contract for services related to the Urban Renewal Agency having an engineer for engineering services as needed. We need the assistance of an engineer for the bid documents. We have expended about \$3,000 to date on engineering assistance. Our suggestion on the contract is that there be smaller questions directed to the engineer by staff, that we don't come to the Board for every single question with a small billing amount; those projects being less than \$5,000. If there are projects that are over \$5,000, those would be brought to the Board with a cost estimate. We might need surveying work at the project where we're anticipating the affordable housing project. Because the agency owns several properties, there may be engineering questions that arise from time to time. The City contract does not have a not to exceed; we use them on an as needed basis.

Commissioner Jonas – I don't want to do the contract because there doesn't seem to be a need there. It would be best to discuss a topic before we went ahead and got \$5,000 estimates.

Commissioner Helzel – The Washington Street project is now at the P&Z level and we may need some engineering work to compliment that development. It would make sense to have a formal relationship between Galena and the URA.

Commissioner Gourlay – If we're going to move forward on the Washington Street project, it makes sense to have an arrangement.

Commissioner Wilson – We could have 10,000 small projects. I don't have objection for there being leeway but there should be a cap to what we spend overall.

Commissioner Kemp motioned to authorize the Chair to sign the contract for services with Galena Engineering. That contract has been amended to read that the amount of \$5,000 is per year. Any amount in excess of that \$5,000 in any given year would come before the board, seconded by Commissioner Wilson. The motion was approved 6-1 (Commissioner Jonas opposed).

2. **Consideration of Bid Proposals for 491 Sun Valley Road Infrastructure Improvements and Award of Contract.**

Dick Fosbury – Yesterday we opened bids for improvements for the Ketchum URA Visitors Center building to do improvements to the exterior, new sewer and water services and remove the film off the windows and do installation for new electrical and mechanical for new tenants. The apparent low bidder of the three was Kearns, McGinnis and Vandenberg in the amount of \$109,745. Second low bidder was Young Construction at \$129,241.87 and the third was Conrad Brothers of Idaho for \$165,420.65. They have all provided bid bonds. The bids were in order. Kearns, McGinnis and Vandenberg did not provide unit costs but provided total cost on all the line items. Not having the unit cost does not disqualify their bid. There were questions on electrical and mechanical. Idaho Power was not willing to estimate what work would be necessary until they saw what the tenant improvements would be. There might be additional costs depending on load demands depending on the tenant for 3-phase power to be determined later. The bid submitted by all three contractors on the mechanical were for new furnaces to go in that are high efficiency and to use the existing ducting. There might be additional requirements that could require additional costs. It looks like the additional cost would be around \$20,000. This would impact all of the bidders. You should award this contract to Kearns, McGinnis and Vandenberg, authorize the Chair to execute the agreement subject to ongoing negotiations between the contractor and staff to determine what the requirements will be to adequately provide the space to a tenant.

Commissioner Helzel – If the Board wants to acknowledge Kearns as the winning bidder, we shouldn't obligate ourselves to committing to the work for a short period of time and ask that they hold this bid, frozen in price, in abeyance for about two weeks. If the URA cannot come to lease terms with anybody, we would want to have another meeting to determine if, in the absence of a tenant, we want to spend this money.

Steve Kearns – Yes, we will guarantee the price for two more weeks.

Commissioner Jonas – It's unclear to me how investing \$100,000 plus in this building that's already over valued is fiscally responsible. We're not going to collect this kind of rent from anybody. I've sat in more meetings with members of this commission who are council members who said we are not going to invest in this building because it's a dead asset. This is embarrassing from a fiduciary responsibility. The only discussion I could ever find of doing any improvement to this building was in 2009, which was Curtis and Charles talking about removing the tint. That's half the cost of putting the bid together.

Commissioner Helzel – We are looking at the opportunity to receive a gross rent at around \$70 - \$75,000 per year, triple net for a period of approximately 10 years. That's ¾ of a million. That is predicated on an investment of \$109,000. That's a superior return on investment and it would be our fiduciary responsibility to follow that opportunity rather than to ignore it.

Commissioner Gourlay – They proposed 3 furnaces with air conditioning. The CR is 13. If this wasn't being built for a restaurant, would be need as extensive a system? Would we need the same amount of air exchanges to be healthy? The ducts should be cleaned and it's inexpensive to do. The phase 3 is tenant driven. Larry's suggestion ties into this because we will have a better idea in a couple weeks who will be the tenant.

Lisa Horowitz – Let's attempt for 2 weeks and come back with a progress report if the Board is still interested in July 4. If we know we're going to wait 30 days, we should start talking about Labor Day as an opening for the tenant. The Board might need a term sheet rather than a full lease negotiated in order to get the contractor going.

Commissioner Gourlay motioned to accept the bid from Kearns, McGinnis and Vandenberg in the amount of \$109,145, contingent on the next two weeks of negotiations for a lease and a tenant, seconded by Curtis. The motion was approved 6-1 (Commissioner Jonas opposed).

3. **Consideration of new proposals for other uses at 491 Sun Valley Road in response to the Revised Request for Proposal (if any)**
4. **Discussion of Potential Lease options with regards to received RFP proposals.**

Lisa Horowitz – There are three proposals for occupancy at the Visitors Center building. The Ketchum Business Group is here today and I don't see Lisa Ripppo.

Jima Rice – The purpose of our proposal is to expand the use of the Visitors Center to encompass a presentation to the public that Ketchum is an incredible place to live. We are a destination for people who are highly skilled in arts and culture. We are a destination for people who care a lot about wellness and spirituality. We are a destination for superior athletes. We are a place that has outstanding educational facilities with creative programs. We have a huge number of entrepreneurs. Those are the kinds of opportunities that can attract visitors and people who live here. The more people we can attract, the better our tax base and income will accrue to proprietors of all kinds. Our idea is to turn the whole space into a Visitors Center that would have concierge services, a variety of audio/visual media presentations of the various niches I identified. It would offer a general marketing and sales pitch to people. It would offer the first place for visitors to visit and their home base while they're here. It would provide opportunities for teams to hang out. It would provide life to the Plaza. It would be open all year round and on holidays, staffed by professional people who can market and sell, who are articulate and professional and knowledgeable about the community.

Keith Perry – When I did my restaurant 25 years ago, it took 4 months of working full time to put a business plan together. For this, we've only had since last Wednesday, 2 business days. It's kind of weak from a business standpoint but when the RFP changed and it became a different ball game, you should give the group an adequate amount of time to fund this. We got an email from Tom Nichol yesterday at 5:00. He's working with the Region for Development Association in Twin Falls and he thinks there's a good possibility for a grant to help put this together. The other serious contender has been working on this at least since last summer. It's public money that's gone to buy this building. You shouldn't be going into competition with the restaurateurs and the landlords. And, you're talking about doing a ten year lease at the bottom of the market. The ideas that the group put together in two days would be a much better use of the vast amount of money you're taking in and would be a better stimulus to the business community as a whole rather than just doing a restaurant in there.

Commissioner Wilson – Are you working hand in hand with the Chamber of Commerce? It sounds like you are two different groups doing the same thing.

Keith Perry – The feedback we've gotten is that the people who approached the Chamber haven't had a lot of cooperation. Our first priority is to have the Chamber run this. If it means we have to increase our Chamber dues that would be our preference. If we have to form our own group to do it, we would do that.

Jima Rice – We would like to do this with the Visitor Center and it makes sense to have the entire space a welcoming place and information place for anyone who comes to town as well as locals who might want to find about stuff that's going on here that they know nothing about. Part of the problem is that there's no signage to get people in the door. If you have children's activities, especially during the summer months, you're going to have children romping around that place. There will be free coffee and tea and there will be a lot of activity. The center would be promoted by the Sun Valley Marketing Alliance, the CDC, the COC and businesses.

Vice Chair Eshman – This is a great vision but this is what Greg and his group are contemplating. Is your vision to double the size of what they are going to do? How do you coordinate with them? Other than revenue that will flow into that place anyway, what's the business model? How do we get \$750,000 over ten years from this concept?

Jima Rice – How did you come up with \$75,000 rent? That's based on \$3/sf rental, which is not market rate. We haven't determined the source of the funding. There are a variety of sources, which would include City budget funds. We can work it out and the question is whether the URA should even be renting the space if you can pay for your bonds with your incoming tax increment funding mechanism. I'm not sure why you need to see income from rent of this public space. We don't have a business model, we're new. We have the ability to form as a collaborative profit or non-profit. That would enable us to get funds from the government and other private sources. We need to be able to talk about that. This is an iterative process; what do you want and what do we want, what can we give, what can we share. I haven't seen or heard a plan, other than Starbucks. It would be helpful to see what the Visitor Center has planned so we can dovetail. I expressed an interest in collaborating on a proposal but didn't get further than that.

Chairman Hall – The needs of the Chamber is about 2,000 sf.

Lisa Horowitz – Lisa Rippo's proposal and the quote I pulled from her letter reads, "It's a beautiful and whimsical indoor carousel with old time pipe organ, gaming room, sale of popcorn, balloons, cotton candy and room for birthday parties". Lisa's proposal including the Urban Renewal Agency selling balloons, popcorn and candy, although we would probably have to contract that out because we don't have that expertise. There's not an operator identified yet for the carousel. Lisa proposed that for the first year, she will be the events manager, which includes Christmas, Halloween, Easter and Earth Day. In terms of the cash flow, the letter states that thirty children per day could be anticipated based on the numbers she saw in the alternate Cairde Group proposal and that would equal the same amount of revenue. She provided some cost estimates for the carousel and samples and the carousel costs range from \$65,000 to \$350,000. She had an alternate suggestion that the funds for the infrastructure bid package could be used for solar panels. This is a positive, pro-family, pro-Ketchum proposal.

I have a statement from the Cairde Group. "The Cairde Group would like to thank the URA, town Council and citizens of Ketchum for allowing us to submit a proposal for the Visitors Center space. As a quick recap, we would like to highlight the proposal that we submitted for Starbucks in Town Square. Starbucks has operated as a business in Ketchum for over ten years. It generates foot traffic over ten times the level the Visitor Center experiences today. Increased foot traffic to the Town Square gives the Visitor Center more opportunity to engage citizens and tourists with information about local businesses and activities. These engagement

opportunities offer all of us the opportunity to promote and grow our businesses and bring vitality to the town. The business model of Starbucks is proven as an anchor tenant in the Town Square, there is very little risk. The Cairde Group will provide a revenue source and bring investment to the Visitors Center. We will provide a significant amount of capital to improve the space. It is our hope to bring alternative energy solutions to the building to make the building more energy efficient. We will pay fair market value providing a revenue source for the URA. The Starbucks Heritage Model concept will blend perfectly well with the look and feel of Ketchum. Starbucks has served our community well for many years and the Cairde Group is proud to partner with such a socially conscious organization. We will strive to meet the expectations of the community and Starbucks both in how we operate and by giving back. A portion of our profits will be given back to local charities that the Cairde Group currently supports; Camp Rainbow Gold, YMCAs, Sun Valley Ski Education Foundation and Sun Valley Adaptive Sports. Thank you for your time and consideration.”

Vice Chair Eshman – Rather than selecting a vendor today, we should prioritize them in terms of those that we think can best fulfill our fiduciary duty and our duty to advance and promote the Ketchum City policies. There’s no assurance we will come to terms with any tenant. We should prioritize, vote on the order and commence negotiations to get to a letter of intent stage. Time is of the essence.

Commissioner Wilson – My goal is that whoever is in that space generates the highest volume of traffic. My goal is only about improving the marketing of this community. We have a Visitors Center that the locals don’t use. We’re moving too fast and the ramifications of that are that we have good potential clients, have an awful part of our community that are so seasonal we feel a rush to make this decision for this summer. We might be making a mistake.

Vice Chair Eshman – One of the issues of government is that it moves too slowly and lots of stuff doesn’t get done because of inertia. Status quo is a bad option. To the extent we can generate economic activity, everyone here who thinks we’re in competition, will start to see their numbers improve. We’ve had an RFP in process for about 30 days. We need to move forward. The seasons are short. If we miss another summer, there will still be vacancies and restaurants will be angry that business isn’t very good. That’s why timing is important.

Commissioner Helzel – Time is of the essence. We have one proposal from a group that is willing to make a meaningful capital investment in the community involving labor and materials and a business, hiring of local people and it will stimulate traffic and at mostly their cost, we will end up with a physical asset that is worth a lot more than it is today. The Board needs to be reminded that that proposal will not stand forever. It was explained from the beginning that it is time dependent. They want to take advantage of the fact that we have a seasonal business. The longer we delay, the less they’re interested. Based on the two competitive proposals we saw today, if we don’t feel like moving forward expeditiously, we will not have a paying tenant. Roughly 4,000 sf at \$1.5 per foot, triple net, is \$6,000 per month. We contemplate that all the occupants of the building will be paying rent. That’s \$72,000 per year plus or minus compensation for the property tax. Over ten years, that’s a lot of money. The overriding public policy question is whether or not the URA Board should be persuaded that collecting any cash rent for this building is a good idea or a proper exercise of our fiduciary responsibilities. I believe it’s a necessity because of the economic conditions, our local property values are in decline, the future tax increment funding for the URA is not assured. We have a responsibility to do everything we can to get a tenant in there who will be able to perform at market rent on a lease. We have a proposal that gives us an opportunity and putting this opportunity aside would be irresponsible. We should move forward expeditiously. If we vote on a sequence and can’t come to terms with the first party, we’ll try to come to terms with the second one.

Commissioner Jonas – We have more than a fiscal responsibility. We have responsibility to the public process and having meaningful input. If we had started the process with public input 6 months ago, we wouldn't be in the state of your perceived inertia. We have responsibility to the URA Plan and the Downtown Master Plan. In the URA Plan, the agency shall give due consideration of adequate park and recreation areas and facilities that may be desirable for neighborhood improvements with special consideration for the health, safety and welfare of children. The agency may acquire, but is not required to, buy real property for the construction of public improvements. We do not have, besides a lack of recreational opportunities that we lobbied for in the River Run Development, indoor recreation space. Of the three proposals, I'm inclined toward the things that stimulate activity. I don't perceive tourists coming to our valley because we have a Starbucks. I perceive tourists coming to our valleys because of our activities like the mountain, fly fishing, kayaking, etc. This is what brings people to our community. We're talking about shuffling people around our town. I don't understand how the Sun Valley Marketing Alliance is going to sell this to tourists. It's not just a fiscal responsibility. The inception of the URA was done when the economy was booming and jobs were everywhere. The topic then was the lack of vitality. Coffee cups and pavers don't drive vitality. Activity and people congregating for the intention to congregate, not for the intention to purchase and walk away, is what drives vitality. We have a dual responsibility but a primary responsibility to the URA Plan. We weren't allowed to collect money for the first year of 2007, because the Plan wasn't put down until November. Driving activity to that area will increase the property value of the adjacent property so we will still increase the tax value. We don't pay taxes. We're just trying to reap the benefit of one investment when there are nine other places, on corners, inside the URA, that if this business is serious, they can invest there and still keep the capital within the URA districts. This isn't the only choice and isn't the best choice. We also have a responsibility to the Plan, which requires doing activities and promoting stimulus not just through financial investment.

Commissioner Gourlay – I agree with Nina as a City Councilman. But I'm a URA Board member sitting up here. Your responsibility as a board member is corporate in nature. You have fiduciary responsibilities. We have a wonderful opportunity in front of us; to utilize facilities that we purchased a number of years ago. They're very underutilized currently. We've tried to do things in the park and have been shot down, by the same group of people. I don't disagree with you on the vending side. The proposal in front of us is one of our own. We're trying to restrict them. I like Jima's idea but agree that it's duplicitous. As a URA Board member, I am responsible for trying to create jobs, for trying to create revenues that can be utilized by every business in town. If we decide not to do Starbucks, we have just turned away an international renowned brand, one that people look for. I don't think we have the luxury of time. This is not a case of them moving somewhere else. This is a case of them shutting down. Is that what we want to do? Do we want to discourage businesses from being actively involved in our community? To me that's not an option. I want to make sure that people have jobs; that we have investment money that we can have in the community. Just to break even on the investments that we have does not make sense. I have to be responsible for making a profit and putting that profit back into the community. We can take some time but we've been taking time on this property for a long time. I encourage us to move forward faster than slower.

Vice Chair Eshman – Whoever just clapped when Baird said do we want them to leave town, speaks volumes to me. What that person said is they want 15 people to lose their jobs. If this is about you all trying to restrict competition, I want to know that. If this is about you all working together and coming together as a community and collaborating, then I should know that too. We should rate them from the one that we want to a letter of intent by a date certain. If we can't do that, we move onto the next one.

Stephanie Bonney – My concern is that we don't have an unlimited amount of time to award the bid. You've had consent to extend that period of time. I had a worry that we could not leave those bids unawarded for an open ended period of time.

Tracy Caraluzzi – I find the comment people made to you about people being afraid to go into restaurants horrible. I agree, Mark, that the divisiveness has no place in public discussion. We, as a group, the Ketchum Business Group, have made a mistake. I own Ciro. We've made a mistake in allowing the idea to take hold that this is somehow about competition. Fear that Starbucks is going to come in and take business from us; that food establishments are afraid of the competition. That's not what this is about. Most of us like this Starbucks concept. I hoped it would go into one of the many vacant spaces in town. I am not opposed to this. This has been a difficult process for many of us in this group. They are wonderful members of the community and I hope they have success in making this vision happen. If they do, we will be the first to step forward and help them make their business viable. This is about a community owned building being used for community purposes, as a central, multi dimensional information center and space where visitors and locals can go to get information about Ketchum. We need a place where people can come to get information about what it's like to live in Ketchum, what it means to live here, the history, the business opportunities, the businesses that have moved from outside the community and relocated here. This is about our community space being used for community purposes. We understand that we need to do something to bring money into the building and hopefully that will happen by businesses relocating here, families moving here because of the Ski Education Foundation or the Ski Academy the Community School is starting, because of the wonderful academic opportunities that are here. These are all things I am asked by visitors. There is no place where I could go before we moved here where I could get collective information. This is what we would like to see in this space. Give us time to put together the funding to make it happen, to get the resources together. If we're not able to do that in a way that's productive for the URA, move forward.

Vice Chair Eshman – We're all under the impression that everything is mutually exclusive. I argue that we can work together. I would like to see Lisa Rippo take control of the Town Square for the summer. I think Starbucks will do a fantastic job there in driving traffic. I think they would be open to the idea of carrying Ciro products. It might be that someone would come in because of the Starbucks brand, which is globally, indisputable community minded brand. They won't go in looking for a video screen but once in there will be attracted to the video screen. It can all happen together and we can have harmony in this town. The outside world, the tourist economy, the second homeowners, hotels, airlines, potential visitors; in the age of the internet, blogging, twitter and Facebook, they're watching us now. All of this that Trevon is writing, that you are blogging, that people are going to Twitter, that Nina is going to put on her Facebook page, people pay attention to in this day and age. If we develop a reputation in this town for being divisive, for saying it's either or, we're saying that we're not community minded, we will scare people away. Airlines are not going to fly here. URAs were created to attract private capital in an effort to stimulate economic growth for the benefit of everyone. Yes, property taxes are used to fund these projects within the revenue allocation area but our duties are to select a tenant who we think will help us maximize the economic value to the URA that is 1) who presents the most attractive long term return on our asset and 2) to promote Ketchum's policies of encouraging a vibrant core. To date, one of the proposals we have does this really well. Our Town Hall meeting was an attempt to put a fresh face on the URA and over the past two weeks, I have racked up over 24 hours of work fielding phone calls, emails and talking in the post office, all in the spirit of volunteering my time to help the very businesses who seem intent on derailing what we're trying to do. It's a brutal economy. The fact is that you are all hurting and scared. I don't understand how \$50 - \$100 million that's going to be created through the URA over the next 19 years is not in everybody in this room's best interest. The strong sense from the question at last Wednesday's meeting was that many people in this room think that the Ketchum economy is a zero sum gain. It's not. As the pie expands, as more vibrancy is injected into this community, more customers are attracted to town. Conversely, if Starbucks goes out of business, fewer people are coming to this town and that means someone else will have to go out of business. I can assure you that the status quo is not a viable option. The URA is a force for positive economic change for everybody. We're not in the business of hurting business. The URA is running a marathon and we hope our work over the coming years will be seen

as helping and not hindering economic growth. We will be seeking your help, cooperation, collaboration and creativity. We hope you will grow to understand we share a common vision of a more vibrant sustainable community for all of us.

The rankings were as follows:

Vice Chair Eshman – Cairde 1, KBG 2, Rippo 3
Commissioner Jonas – KBG 1, Rippo 2, Cairde 3
Commissioner Gourlay – Cairde 1, KBG 2, Rippo 3
Commissioner Helzel – Cairde 1, KBG 2, Rippo 3
Commissioner Kemp – Cairde 1, KBG 2, Rippo 3
Commissioner Wilson – Cairde 1, KBG 2, Rippo 3
Chairman Hall – Cairde 1, Rippo 2, KBG 3

Chairman Hall – Per the direction of the Board, Lisa will enter into preliminary lease negotiations with the Cairde Group and report back on Monday, April 18 at 4:30.

Randy opened public comment.

Annie Corrock – You've agreed to go ahead with the \$109,000 bid for improvements on the building. In your budget you have nothing budgeted for capital outlay. Where is that money coming from?

Chairman Hall – That might require a budget amendment but we need to work through this and it will be done at the discretion of the Board.

Stephanie Bonney – Clarify that the contract was awarded contingent on you deciding to enter into a lease so you have not legally obligated any funds.

Annie Corrock – It is a concern of the public. This appears it's another one of those issues of the cart before the horse.

Bob Jonas – Comments relative to risk analysis as a fiduciary responsibility criteria looking at this or any proposal. Looking at the Cairde Group proposal, also known as Starbucks, from a risk analysis perspective, there's a question that two blocks away on Main Street, Starbucks is a failed business and the corporation is withdrawing its support at this location. What is URA's measure that the same model will perform better at Town Square? What is the experience of Cairde Group's ownership and management of this kind of business? Cairde Group is newly formed. Can fluid owner/staff relations be expected? In a town where so many food vendors live and die on local support, will the Cairde Group survive on Town Square? As URA by its actions today, antagonize local support. What if Starbucks fails again? Then, having accommodated Cairde Group/Starbucks to a significant remodel of the center, will the URA find itself committed to shop another food and drink vendor? Once again, we are faced with this contentious issue. Or, perhaps they might need to reconstruct the center to accommodate new and better proposals. If rent returns are the most important outcome for the URA, would shopping at an alternative proposal like McDonald's, which has no Ketchum competition be a wiser course? It's a gamble. In the spirit of public involvement in Mayor Hall's comments on the economic development plan of Ketchum; the City of Ketchum will be guided by the good work already completed by their stakeholders. We will bring all Blaine County economic development stakeholder ideas and insights together in a focused five month process. We will listen, collaborate, engage our citizens and

build a comprehensive plan chapter update reflective of the collective wisdom of our community. It's in that spirit that you should look at any proposal involving our community.

Commissioner Wilson – Starbucks financial information on that location has not been shared with anyone. It's private information. For you to say it's a failed business, we don't know that, unless you're privy to inside financial information on Starbucks.

Jima Rice – I can agree with your conclusions but how you get there is different. My reading of the URA law says clearly that any bondholders who buy URA bonds have to consider the risk themselves as you would in purchasing any security. The URA in my view does not have a fiduciary responsibility. The people who sold the bonds have a fiduciary responsibility to give good advice to their clients. The URA is not here to guarantee the success of the bonds that are issued in its name. I would challenge that legally. URAs rely on tax increment funds. The purpose of a URA is to build up a community through infrastructure investments that are enabled by bonds so that tax increment funds grow over time as the real estate values grow. This is a long term plan, which is why URAs last for 24 years. If you think that the rental is a better choice than creating enough vitality to increase real estate value and draw business in and residents, I question that. It's a short term not a long term strategy. I agree government takes a long time. We have not heard any concrete action proposal from the CDC, the COC, the SVMA and Sustain Blaine. They're collecting a lot of money and moving very slowly. In five days a group of people have put together a plan that seems to be of interest to you and people in the audience. Everyone who signed that agreement are people who would be involved in the Visitors Center. It's an anchor for tying together vitality, business investment and community collaboration. You need to take that into account. Five days to put together a proposal and we still haven't seen anything from the Sun Valley Marketing Alliance. We have stated that we would like to work with the Visitors Center but have not heard from them on that.

Alex McLaughlin – I object to leasing to Starbucks vehemently. I don't think it's a great idea. I haven't gotten responses to my letters. Legally I was responded to but that's the problem with this board. You are treating this like it's a law school exam. It's not a matter of what is legal and what is not. It's a matter of what is wrong and what is right. Mark is saying that the investment community is going to look at this and be embarrassed and see the divisiveness. The embarrassment is not on this side. The divisiveness starts with a Board that doesn't listen to a public community that is overwhelmingly against this idea. Trish, you said you did not know the income of Starbucks on the corner yet you are willing to send them two blocks down the road not knowing that income based on a fiduciary duty to bondholders to generate revenue. Does due diligence caution that you should go two blocks down the road and see how that business is doing? This is a URA that is an island in Idaho. The URA statute doesn't emphasize revenue, which is all I hear. It doesn't emphasize return on investment. It talks about ending juvenile delinquency. This is the stuff that urban renewal agencies are supposed to address throughout the United States. This urban renewal agency just happens to be in the most affluent community in the United States and it doesn't know what to do or how to define itself. So, it's making itself into an apparatus of private business. That is not how URAs are run. I am disappointed with today's decision.

Vice Chair Eshman – I was misquoted again. I didn't say investors are looking at us, I said the outside world; hotels, airlines, tourists, hotels, investors INTO our community, not investors in our bonds.

5. **Resolution 11-URA3: Amending Audit Language regarding the use of In Lieu Housing Funds: transferring such funds associated with the property located at 491 Sun Valley Road to the property located at 211 First Street East.**

Stephanie Bonney – A certain amount of money was transferred to the URA from the City of Ketchum as in lieu funds. Those funds as noted in our audit in the future are specifically restricted funds. Now there is a portion of those funds that are in each of the two properties. Rather than try to administer two properties, each with a portion of restricted funds, that it would be easier to track if we transferred the equity to one single property so we didn't have to bifurcate those funds. This is an accounting transfer, not a physical transfer. It changes the audit and the language talks about where those funds went, how much was in each property and what the total amount would be in the 1st and Washington property. I took the total amount that was in 1st and Washington, add in the \$640,000 worth of restricted fund value that was in the Sun Valley Road property, which would create \$1,495,830 of restricted fund value in the 1st and Washington property.

Phyllis Shafran – Stephanie stated something about the fact of how this procedure started, in February you passed a resolution that I've asked for for two years on the financials keeping the money separate. This resolution was passed by this board after it was stated in a City Council meeting that they were thinking of moving the money. You knew you were going to move the money; why didn't you do the resolution and now you're going to change the resolution and move this thing off. When you do this, you make this property \$3.75 million? That's a lot of money. You borrowed the money from the Idaho Housing with the intention of putting in lieu housing. In that money, you also have \$740,000 of in lieu money. You are going to build in lieu housing on that property in order for Bariteau to have places for his hotel employees to live. That was the only reason you bought that property. Then you used the \$640,000 of in lieu housing money to purchase Mountain West. Now, you're not telling me that this \$1.5 million has nothing to do with the \$2.5 million?

Stephanie Bonney – Your math is not correct. The property was still bought for \$2.25 million. The difference is how much of that value is restricted to in lieu housing. It's not \$1.5 plus \$2.25, it's \$1.5 of \$2.25. With the transfer, \$1.5 million of the value as opposed to roughly \$750,000 of the value is restricted for affordable housing now. You've increased the proportion of the value of the property that's restricted to in lieu housing from the in lieu housing fund.

Phyllis Shafran – You have to use that for in lieu housing. I don't understand how you can't say this property is not worth close to \$4 million. If you paid \$2.25 million for it and you add the in lieu housing money on it. I also want to know why the property at 491 is tax exempt. It's public property.

Stephanie Bonney – Idaho Statute 50-2014 states that the property is tax exempt because that's what the legislature determined. That does not mean that it's a government building that cannot be used for private purposes. Those are two entirely separate things.

Phyllis Shafran – You keep talking about property taxes but its tax exempt.

Stephanie Bonney – If we leased property, you negotiate what's called a PILT, a payment in lieu of taxes that takes the place of property taxes so that the property is leased at fair market value. It's ultimately the County that determines whether or not it's tax exempt. What most leases do is provide that for in the instance the County determines it's not tax exempt, then they pay taxes instead of that PILT.

Commissioner Jonas – Are we doing this to clear up the property so we could potentially sell it?

Chairman Hall – We would be open to options and potentially selling the property provided the terms were appropriate.

Commissioner Gourlay motioned to amend audit language regarding the use of in lieu housing funds, transferring such funds associated with the property located at 491 Sun Valley Road to the property located at 211 First Street East, seconded by Commissioner Kemp. The motion was approved 6-1 (Commissioner Jonas opposed).

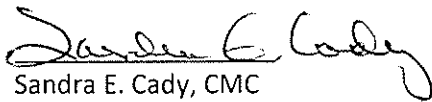
8. ADJOURNMENT

Chairman Randy Hall motioned to adjourn the meeting at 2:35 pm, seconded by Commissioner Curtis Kemp. The motion was approved unanimously.



Randy Hall
Chairman

ATTEST:



Sandra E. Cady, CMC
Secretary/Treasurer