



SPECIAL URBAN RENEWAL AGENCY MEETING
Thursday, April 21, 2011 at 12:00 p.m.
Ketchum City Hall, Ketchum, Idaho

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

Also Present: Gary Marks, City Administrator
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. Comments from the Public

Commissioner Helzel – I am going to present a financial perspective on the term sheet the Ketchum URA has presented to the Cairde Group. This has not been accepted but thought it appropriate to make public today what those terms are and to explain why those terms are what they are. I will not revisit the issue of whether or not it's a good idea for the URA to be considering the lease of its building to a commercial enterprise. Returning to the marketing board's presentation from Monday night's Council meeting as it's relevant to today's URA meeting; Jake Peters, Candice Pate and Greg Randolph did an awesome job of reporting their progress to date, the current status and the future initiatives of the marketing board and the new Chamber organization. It was very inspiring. Their presentation solidified the need for a vibrant visitors center and accentuates the vital role this center will play in the broad scheme of area marketing and a quality visitor experience. To answer questions from Monday; Jima Rice asked via email "did the URA do a long-term ROI analysis on the three proposals it received for the RFP or even just the Starbucks proposal". No. My analysis of the ROI of the Cairde Group proposal will be included in my comments to follow. This analysis is limited to 10 years, which is not long term. We received only one proposal, Cairde, which contained an offer to pay cash rent. The others suggested their tenancy be subsidized by either the URA or the City of Ketchum or both. It was not possible for these other proposals to do the ROI analysis suggested. Commissioner Jonas questioned whether investing in repairs and then entering into a lease with the Cairde Group was the highest and best use of the property. She wanted the URA to compare the return on investment of leasing the building to taking those same funds and prepaying the bond principle on URA indebtedness. I don't understand this and hope Nina will elaborate on this in the future. If we didn't contemplate a substantial lease revenue stream, we wouldn't be making the capital investment to improve the building. We cannot make the comparison Nina requested.

Commissioner Gourlay – It was a mistake for us not to let Jima Rice speak at that meeting. When we open it up to public comment it should be opened to anybody. Some of the comments Jima has made make it difficult for this board to consider a lease with the Ketchum Business Group. Several months ago, Chairman Hall said

the decision to lease this building had already been made. He was not referring to the Cairde Group. He was referring to the fact that five years ago when this piece of property was bought. The URA board had always considered renting out this space. There were discussions and work group sessions before we bought the piece of property and every member of that group had some component of development on that piece of property that had retail, restaurant, active space that we consider. This space was always considered to be a rentable space. We did rent to non-profits that decided to move out. That's one of the reasons we considered not going back to non-profits.

Keith Perry – When I pressed you to do public comment, I wanted it after we saw the lease details so we could comment on those details. Last time, I feel like I threw Jima under the bus when I said I couldn't control what 50 or 60 people said. I carefully read the Jigsaw piece and it was pretty accurate. I also came across a letter from Larry, that was a piece for the paper that was at least as personal toward a business in this town and disrespectful and it was well-circulated to everybody who read that. The Mountain Express didn't publish the pieces that were disrespectful at your request but it was widely circulated.

Chairman Hall – That was leaked from a board member and was distributed internally. It was a draft and shouldn't have gone that far.

Keith Perry – I was critical of Greg Randolph and the Chamber for not stepping up to this better and I was very impressed with the marketing presentation. If I was going to look at that presentation and wanting to give the image of a unique western town and how we're different from everyone else, I wouldn't put a visitors center tucked in the corner behind the Starbucks.

Vince Sicilli – You have your arms wrapped around the fact that people will come to Starbucks and that will draw people to the visitors center. Has anyone ever asked Starbucks if people come in and ask them where to eat in town or where to go? People come to Starbucks for coffee. It's my understanding that this proposed Starbucks is going to serve beer and wine. Can you have alcohol in the park, on city property?

Ellie Ellis – I am struck by the comments talking about return on investment and what is the value and adding value in that space. It's disconcerting that the Council and the Board doesn't see the value inherent in the visitors center that the Ketchum Business Group has put forward and what that would mean in sending people out in the town. There hasn't been an analysis of what that value is. Unless you have a business that is somehow drawing more visitors in and not just a vertical change of places that we already have, this makes no sense. The URA and Council, instead of creating economic growth and vitality, should not compete with the private enterprise landlords. There are tens of thousands of square feet of empty space that have been aching for tenants for years, including the 4th Street corridor. 4th Street is the street to nowhere. Starbucks would do wonders and make it more pedestrian friendly. I can't imagine a more controversial topic in this town than you guys proposing to do this and not listening to people. The controversy that has swelled up here and picked up by outside newsgroups; they are watching and seeing that the URA and Council just does not listen.

Richard Wilsker - I don't own a restaurant and have no ax to grind. I have no question you have a right to do what you want because URAs are unanswerable other than breaching your fiduciary duty. I look at your proposal that roughly over the life of the ten years; you're going to make \$250,000. At the same time, I heard that this entity is going to bring \$25-\$50 million into the town of Ketchum over its life. \$250,000 in leasehold over ten years is an insignificant amount of money compared to the \$25-\$50 million the URA is going to create. Is that \$250,000 a good deal? I think it's a terrible deal. This is the only space on the Town Square that you have spent millions of dollars developing, this is the only space that has direct access, and this is the only space that has a visitor center that brings people into a restaurant. If you have beer and wine, people will go into

Starbucks, come out on your plaza and someone else will have to clean it up in the morning. Was this deal shopped out of the Wood River Valley? Did you use a restaurant broker to see if there is more value in the only space in town and the best restaurant space in town?

Peggy Tierney – I don't live here and I don't have a business here. I am a bondholder. Stupid or not, I invested in URA bonds. I am concerned over a couple meetings ago when you were making jest and fun of how you were going to pay this bond back, you had 20 years to do it and I find that very disconcerting. I also send this newspaper out to my friends and they are laughing at you. That last meeting and the newspaper report makes a disgrace of what I've always conceived to be the constitution and how governments should run. Not letting people talk, even if they have an office here and are paying their taxes. I think Starbucks would be good. We travel a lot and I go to them all the time and ask where there are restaurants. This town is filled with wonderful restaurants. You need to get return on investment and should have people in it who can afford to be there. I didn't see in the other two proposals where there was any money for people to get in there and be established. I hope you will be more respectful, the City Council members, and be out of the business of real estate. You take care of the town and let someone else take care of the URA.

Chairman Hall – The situation with James Donoval; I needed to be out of here at 2:00 and Jim was interrupting. I should have excused myself but because of Jim and his interruptions and I wanted Phyllis to talk because she lives here and I had time to do one, which was my choice. In the future, I will step out of the meeting and let the vice chair take over. At the last meeting, Jima was late to the meeting; she didn't hear the opening remarks. I called on Mr. Perry who was representing the Ketchum Business Group. He had the opportunity to express their perspective and that was it. That's why we did that.

Brad Kane – I commend you all for the position the URA has taken on a strong and profitable anchor tenant that will pay that rent is right on. The voice of the proponent has been understated. The group that is opposing this move has been highly vocal and well-organized and outspoken. There is a very significant group of business owners and cooperative people and consumers in the community who are 100% behind this tenant and looking at the square, it would be vibrant, healthy and awesome to have Starbucks anchor that position. It's a good business move from a business standpoint based on the URA's charter to create profit in those properties that you own.

Amy Allbrecht – When you wanted Phyllis Shafran to speak because she lives in Ketchum, it's hard for most of us and as business owner, I can't afford to live in Ketchum. We live elsewhere and we pay taxes here and help support the City by our business's revenue. We brought up the in lieu parking and Lisa Horowitz said she would look into that and I don't see that addressed in the intent to lease letter. On the second page, it says early termination, "in the event the Cairde Group should terminate the lease, Starbucks Coffee Company should be granted an exclusive first right to assume the lease. Is there a period of time that they can back out of the lease? Would that be in the first two months? We keep saying this is a local investor. Are they going to turn this over to Starbucks and they will have a kickback to them?

Jima Rice – I don't see anything about payment in lieu of taxes, which was promised to be in the lease. I calculate 2000 sf x \$1.50 x 12 to be \$36,000. You keep quoting \$75,000. When the presentation was made at the church, it was stated that bondholders did not have to be worried. Why, in lieu of a \$6.5 million debt you feel an income of \$36,000 or \$75,000 is going to make all the difference in the world. The Ketchum Business Group asked for time, given we had 4 days to put our proposal together. We indicated we would pay rent but we didn't know if we would have the consideration of the URA to allow us to go forward. We thought we might have that as a community group of multiple businesses. It would have been expected that we would be considered equal to Starbucks regardless of their pressure to open by July 1 and that we would have been

given a chance to come back to you and indicate how we could pay rent that would at least be equal to Starbucks. Maybe people think that as a URA, you might forego rent as you did for 4 years with the current renters. The best URAs prepare a return on investment analysis that is written and circulated to the public. The best practices of URAs are to work with public from A to Z. Where URAs get in trouble is when they don't do that. If you had a complete proposal from Starbucks, you should have calculated a return on investment over the term of the bonds as any URA should do for any project. That should be publicized so that it can be scrutinized. I am not the leader of the Ketchum Business Group. I was asked to put the proposal forward. There are numbers of people who agree that seems to be a viable proposal that deserves consideration. To act as if you can't deal with a group because of your animosity towards one private individual seems immature and not appropriate. Where is the money coming from to do the improvements?

Andy Parnes – I looked at the letter of intent and have a concern about the unfair advantage. You're putting a restaurant with a back door out to 10,000 sf of tables and benches and are renting it for 1900 sf and makes reference to an attachment for an addition 250 sf. That underestimates the value of the property you have and provides an unfair advantage to whoever you rent this to as a restaurant. Restaurants should have to pay for that space. The Town Square gives that lesser an incredibly great advantage over other places. You might want to say that it's not the URAs Park to lease but if looking at the lease, charge a lot more for that space if you're using it for a food vendor.

Michel Rudigoz – I am tired of hearing the restaurateurs are making the step forward. We have a restaurant association; we work for the City and this town. You exaggerate. You are changing the name of your building from a visitors center to 811 building. You are crazy. You don't know the market. You need the money. You have a flat rate, 15 year option. You don't know the value of the property. The guy will pay rent, make a ton of money and not pay a percentage on the rent. Ask anyone here. You're making a mistake because you are getting rid of a problem. We know you have difficulty and not accusing you of what you did 6 or 7 years ago; it was a great idea to buy the building. We have one place in town where we can work hard with you. It's that building and you're getting rid of it because you don't want another restaurant. What we say today is not going to change anything because you've made up your mind. We were not against the Square, we worked for it. You did nothing because nobody wanted to be there. It's not us who destroyed the Square. Did you tell people who gave you money; we will have food on or around the Square? That's what we were told.

Annie Corrock – The decision to do this was at the beginning, to lease the building. I was involved in a lot of those discussions and I don't remember that. This started back when the City chose to trade with Wells Fargo the Main Street property where the previous Visitors Center was, which seemed like a mistake, but we would do the Town Square, that's where the Visitors Center would be. When you purchased this property, Tom Hudson was here and the Downtown Master Plan was being designed and that Square doesn't look like any of the designs. There have been a lot of changes. Louie's was going to be in the center. You've had tenants in there but never collected any money since Mountain West stepped out. I never heard discussion that we needed to collect rent. Mountain Rides moved out and have read memos that the CDC saw they were going to lose their space. They see no room for them in this building and are looking for another place for them to go. The Ketchum Business Group, which I am a part of, asked for more time to work out some of the details including funding for this project. They didn't say they weren't going to pay. I was the one who asked where is the \$109,000 coming from but I didn't get an answer. It was going to be an accounting, paperwork issue.

Ricco – I'm very much against the Starbucks. I call to your common sense as the leaders of our town. Do you want Starbucks cups, napkins, bags, etc. as a billboard on our Town Square? It will be Starbucks everywhere. I'm not opposed to Starbucks being in our town but in being in our Town Square.

Mark Caraluzzi – I don't see that they're moving two blocks. There wasn't a scaled blueprint but the layout I saw for the 1900 sf, that building might be 4000 sf but that's on two levels. It's really all about the bottom level, the footprint of the building. When you take 1900 sf and take out the mechanical room and staircase, they're over 80% of the space; they are the space and it's not the Visitors Center. They are the image, they are a big corporation and we're in this unique mountain town that's in total conflict. I'm not opposed to trying to make some money from the building but I think the business group has some ideas. This is like a runaway train here and you are the engineers. The proposal said the deadline is tomorrow. I just saw this a half hour ago. This isn't fair and there are lots of people unhappy with taking the center of town, the Times Square of Ketchum, and throwing in a big corporation. It's the wrong image and you need to rethink this and come at it from another angle.

Kim Nalen – It's my impression that as elected officials, you are elected by the people, to serve the people and to support the small businesses that make up this town. Why do you go forward and try to bring something through when the public is so against it?

Tracy Caraluzzi – You've demonstrated that you are refusing to take public comment and opinion into consideration in this issue. It's legal for you to do this; they aren't required to take public opinion or a vote on issues you decide upon and that URAs have broad authority and leeway in their actions. It runs against the best interest of the long term and long time vitality and sense of community. You are correct that people are watching and listening. URAs are coming under fire all across the country. Larry, your actions last week in refusing a community member to speak was atrocious. That's the second time you did something so insulting. Last month you said that we as a restaurant community should take up a collection of \$1000 a month to keep the space empty. Has anyone made an agreement, any contributors to the Town Square, that there would be food on the Town Square? Why do you continue not to take public comment into consideration? I have never seen a lease like this at \$1.50 per sf for the potential of 15 years; you are shooting yourselves, the City and the community in the foot by agreeing to this. I shopped around last year for space to move our market and that was the bottom rent for this point in time. To agree to that for 15 years is, from a fiduciary responsibility, negligent. This is not a matter of fear of competition. That comes from last year's vendor issue and there was concern and is that putting food vendors on the Town Square does draw business away from restaurants that are steps away. You stated that this was your way of getting around this. The 80% of space they will use only leaves a kiosk for a Visitors Center to speak for this town and for all of what this town has to offer. In the ad we ran yesterday, our message is that "Ketchum is so beautiful, diverse in its opportunities, rich in its sense of community, replete with arts and culture and supportive of business. You would love, should and could be living here. We want a welcoming friendly Visitors Center and community space designed to stimulate interest and increase commerce for all Ketchum businesses, present and future. This centrally located Visitors Center on our Town Square will engage visitors and residents alike. This is not just for visitors. Promoting Ketchum's diverse qualities and attractions, increases revenues as well as taxable income for the City".

Karin Reichow – I run the Board Bin. I am confused why this hasn't been considered like more of a Visitors Center with more visual attractions and involvement of all the businesses where they could all have a showcase. There might be extra Chamber money to pay but if all had a showcase, there could be displays or items from the store or videos of what the businesses are about.

2. Update on Letter of Intent to Lease between the Urban Renewal Agency and the Cairde Group regarding the property located at 491 Sun Valley Road – Lisa Horowitz, Community and Economic Development Director.

Commissioner Helzel – There are four moving parts on this proposed term sheet that has not been accepted; the rate, the term, the capital investment in the repairs and the guarantee. The rate; the initial rate is \$1.50 per foot for the inside space and half of that for the outside space within the building envelope. That outside space is about 250 sf. This rate is fixed only for the first five years. The first option, beginning in year six, if the tenant decides to exercise, the rate will be recalculated at 95% of the then market. We could do it this way or go on a CPI basis but we think that market rents are so low right now and if we committed to an increase at a CPI function even at 3% per year, we'd be looking at only about a 16% increase after five years. We think the URA can do much better than. The effective net cash rent that the URA will receive is closer to \$1.75 per foot because we are going to add back in the PILT, payment in lieu of taxes, add what the tenant would pay if they were paying a triple net lease from a property that was paying property taxes. That's roughly \$5,000/year, \$416/month, divided by 1900 sf is a little over \$.20. In addition, the City currently pays for a lot of maintenance around the building and will continue to do so. The URA will pass some of those costs along to the tenant for about \$.05. The URA will receive a cash rent closer to \$1.75 per foot and will not have any net incremental expense. The concept of value and the concept of market are two different things. We only received one proposal that offered to pay any rent at all, Cairde. The others were either vague on the rental stream or stated that their tenancy was so vital to the community that the rent should be subsidized. We have only one proposal that's tied to cash rent. The Chilali experience is relevant and a good model of the spread between what something is worth in the eyes of people and market. It was when the market set the price that sales resulted. I don't think the rent offering to Cairde is too low. The alternative to refusing this level of rent is to continue with this building without a paying tenant. The URA is protected against a rise in rents.

Commissioner Jonas – Currently, the City has been leasing that lot from the URA so it's City property so it's City maintenance. That lease will have to be rewritten to allow for this patio space to be allowed. As the Park liaison, I will advocate that we get money back from the URA to maintain that property.

Commissioner Helzel – The lease terms; we have offered 5 years with two 5 year options. The URA retains the right to terminate any time after year 10. Cairde has told us they need a 15 year commitment to amortize all their tenant improvements. We offered 10 years because we don't know what the redevelopment prospects are for the property in 10 years time. We don't know how much money will be available to the URA pursuant to one or more of our hotel projects breaking down and going on the tax rolls. We might have a situation where we want the building back to replace it with a new multi-tenanted, multi-purpose building at some time. If Cairde exercises its second option and wants to stay for an additional 5 years and the URA decides to terminate pursuant to these conditions, we need the property back, we have agreed to compensate Starbucks for their loss of business on a sliding scale during this period of time. Even if this should happen, the URA would not be out any cash. If you have a redevelopment project, it's probably going to be around \$20 million. If the private developer of that project is in a hurry to get control of the property, they would be very happy to advance to the URA this termination fee. The termination fee decreases through time as there is less time left on the lease. The most difficult issue has been repairs. The building has serious deficiencies in plumbing, electrical and HVAC systems and they need to be brought up to standards for the URA to lease to any tenant. The issue is protecting the URA from what we describe as contingency risk. We know we don't know what we're getting into. We have insisted on capping the URAs total cost at \$100,000. Cairde will pay for any overages. The contingency risk on the construction is theirs. This is a responsible approach and will know in advance that our investment will not be more than \$100,000. In return, we will be receiving the transformation of a 40 year old building in disrepair to a new interior. We will be receiving a rental stream of about \$750,000 over the first 10 years, a substantial return of this investment of \$100,000. We will have fulfilled our objective of co-locating the Visitors Center with a business that will drive traffic to it and its resources. We intend to rent the entire building.

Lisa Horowitz – The building is 4500 sf.

Commissioner Helzel – The last issue is the guarantee. As Cairde is a new single-purpose entity without any operating experience, we have asked for the customary third party guarantee on the lease payments, equivalent to approximately 3 years rent. This is a great deal for all parties concerned. Starbucks gets to relocate to a better location than they currently have and are guaranteed they can stay there as a tenant for 10 years. The Visitors Center gets to co-locate with a great business that will compliment its activities by driving people to their space so they can take advantage of all the Visitors Centers services. The URA gets a new building, from the inside out and a significant rental income stream that it currently doesn't have. These funds will be reinvested in the community.

Commissioner Kemp – From the start, I said I was unhappy with the floor plan that was presented. The uses that are supposed to share the building had been marginalized. I wanted to see a new plan that would take into account that we want the Visitors Center to be high profile and I haven't seen that floor plan yet. I want that to be part of my consideration of a lease.

Lisa Horowitz – Our idea was to take that floor plan to the next level between the letter of intent and the lease. There's 4000 sf on the ground floor and 440 sf on the second floor. How much money should either the Visitors Center or the Cairde Group spend on an architect if we don't have a letter of intent? There would be a significant amount of space for the Visitors Center on the ground floor and there is discussion whether the Sun Valley Marketing Alliance would prefer to have their offices on the ground floor or on an expanded second floor. We anticipate bringing that back to you but isn't complete at this time.

Commissioner Wilson – My entire reason for supporting something like Starbucks is to draw people into the Visitors Center. I wish it was a locally owned group but one didn't come forward. The things the Ketchum Business Group are talking about can make that space appealing but it will not get the number of people in the door that something like a Starbucks will get in. I agree with Curtis on seeing the floor plan and how it's laid out and will the Visitor Center get the kind of exposure it needs to have.

Commissioner Eshman – There's been a couple different versions of a floor plan around. We need to come to an agreement on what floor plan best works for everybody. The primary reason we want someone like Starbucks is that we feel they will drive traffic into the Visitors Center. The terms are more than equitable for both parties. We're not in 2007 anymore. We're in 2011 and there's no guarantee that whatever lease rate we enter into today will look good three years from now. The process in getting four well-respected brokers' opinion to what the terms should be and triangulated around those numbers, we arrived at a number that's extremely adequate for us, adequate for the tenant and fulfills our twin duties of maintaining fiduciary responsibility toward the bondholders and also promoting the plan of the City.

Commissioner Gourlay – We have roughly 4000 sf and the Cairde Group wants 1900 sf of that. There's mechanical and bath; do we have an estimate of that?

Lisa Horowitz – We will need a revised floor plan to settle on what the common area is and back that out; the conference room, bathrooms, mechanical room and hallway.

Commissioner Gourlay – Have we gotten an indication from the SVMA on the space on the ground floor they think is appropriate for the Visitors Center?

Lisa Horowitz – They have a conceptual idea but want to see it drawn up.

Commissioner Gourlay – Do we move forward with this term sheet, to get an idea as to whether we have a tenant or not and then move forward at that point? If we don't have a term sheet, there's no reason to have the other discussion. Regarding the 3 terms of the lease, it's the public's perception that this is a 15-year lease. Maybe the third term, we should offer buy outs but have a straight 15-year lease with 3 options. If it's successful, we're going to want to keep it there. If it's not successful, they're not going to renew after 5 years.

Commissioner Jonas – Regarding the plans, I was disappointed that SVMA didn't come forward with a plan, conceptual or not. Going down this list, the first item being the lessee will pay pro rata share of City water, sewer, gas, power and trash. I can't believe any office co-lessee would want to do that. A restaurant uses an exorbitant amount of water and power and has trash and most tenants have all this in their own name.

Lisa Horowitz – It was meant to be pro rata by the amount of use for each infrastructure. If we can separately meter them, yes; and if not, some way of figuring out the volumes as you just described.

Commissioner Jonas – Starbucks Coffee Company being granted exclusive first right; have we received a letter of interest from Starbucks Corporation? Has there been any communication from them? Do they have any idea they are in this letter of intent?

Lisa Horowitz – From the communications with the Cairde Group, the Starbucks Company did want this exclusive first right. We have received nothing directly other than their letter of support in their original submittal of the Cairde Group.

Commissioner Jonas – Who's going to pay for this extra mezzanine cost? Is that up to code with egress?

Lisa Horowitz – Everything will be brought to code and if the Chamber chooses to go upstairs, they would need to bear those costs.

Commissioner Jonas – The windows are all single-pane windows and I see a problem taking the tint off them and breaking windows and they aren't safety glass. There's another unknown cost of double pane windows and safety and code regarding a public space building. There's a \$100,000 cap which is a huge improvement but I have concerns of hidden costs. I view myself as a public agent so communications to me I view as public record. I don't feel that I have leaked information; I was the one who forwarded Larry's letter to people who were interested in the topic. I am not in a private club. If you want something kept secret, probably don't tell me. I did keep something secret in early January when Larry called to tell me you all had been looking at the URA renting to Starbuck's and wouldn't that be great because we wouldn't have to deal with vending on Town Square, but please keep this a secret until they get their ducks in a row. I quickly called the attorney to find out if that was correct conduct but played phone tag and I apologize for not following through. Then Randy called a couple of weeks later to say we were going ahead with an RFP, which I was thrilled about because it was the first step to public interaction. I forward information because there is so little commentary and discussion from this panel that no one knows what's going on or what people are thinking. I try to share the little information I have.

Lisa Horowitz – I don't think it's fair to ask the Chamber to spend money on an architect until there is a letter of intent. They want to do a very thoughtful floor plan for that Visitors Center. It's going to be a little expensive and I don't think we can have a floor plan before there's a letter of intent.

Chairman Hall – I share your concerns but do get comfort in that the Chamber has hired someone to champion their interest. They are being represented. If the Chamber comes back and says this is not good, that will weigh heavily on our decision. There is a process in place and will work this out with input from the Chamber.

Commissioner Kemp – It could change the opinion of the Cairde Group also.

Lisa Horowitz – I have confidence that both uses can fit on the same floor and there will be a substantial Visitors Center. That's based on bubble diagrams.

ANSWERS TO QUESTIONS FROM THE PUBLIC

Has anyone gone into Starbucks to get information?

Commissioner Wilson – Starbucks is only drawing people into that center for the benefit of the Visitors Center, which are those who come in because of Starbucks and then engage with the Visitors Center. The Chamber will have some effective promotions in the Visitors Center of all the businesses in our community. Restaurants, who are members of the Chamber, should be pushing the Chamber to give them that kind of presentation. Right now they just have brochures. There needs to be promotion of all the restaurants in that Visitors Center. Starbucks is going to have to share.

Can there be alcohol on Town Square?

Stephanie Bonney – There would have to be a small area that's segregated off from the rest of Town Square that would be directly adjacent to the restaurant. There would have to be modification to the lease to allow that and people would not be allowed to take alcohol outside that designated area. It's similar to downtown Boise where the restaurants have patio areas along the sidewalk.

Commissioner Wilson – Starbucks are starting to do beer and wine at all of their establishments. This is not unique to Ketchum. They are changing their stores everywhere.

How is the in lieu parking paid?

Lisa Horowitz – The parking requirements for the downtown core, for each lot you have you get credited 4 on street spaces; that would be 8. For the 4400 sf of building, 4 spaces is required. The requirements are the same for office, restaurant or retail in the community core.

How long does the exclusive first right to Starbucks run?

Stephanie Bonney – It only gives them the right to assume the lease at the point the term expires. If the lease was renewed for the second term and terminated in the 6th, Starbucks would have a chance to assume the lease at that point also. If they assume it for the remainder of the term, do they get to exercise the option? I assume you're contemplating that they would.

Commissioner Helzel – If Cairde wanted to put their tenancy to Starbucks, Starbucks would inherit all of the terms and conditions of the lease.

Commissioner Wilson – I heard that differently. How long does Starbucks have first right? There should be a limit.

Stephanie Bonney – That would be spelled out in the lease. Normally, anywhere from 30-90 days is standard.

Why would this income from this rent make a difference to the bondholders?

Commissioner Helzel – Only in a disaster scenario where the valuations in our revenue allocation area continued to go down, would it have an impact.

How are we going to pay for the renovations?

Gary Marks – There are various options. One of the more obvious ones is a short term loan that the URA could pay back predicated on the income stream created by the rental. Another is to negotiate as part of the lease that the lessee makes those improvements with a reimbursement to the lessee over time based on the rental income stream. Another is to recognize there is the rent credit given to the Chamber of Commerce to be in that building for a two year period on the City side. The City accumulated a sum of money of about \$83,000, which could be credited back to the URA as it is a URA property. That could be used and the balance perhaps coming from the URA contingency, which could be replenished from the rental income stream. Those are the most obvious ways to accomplish that.

Starbucks as a billboard on Town Square; is this the image the URA wants?

Commissioner Wilson – We don't see Java and Tully's coffee cups all over the place. People in this town throw their trash away and that's an unfair comment that we'll have a trashed plaza because there's a food vendor there. Starbucks has a draw, especially for those who are new to this community. It will not necessarily have a draw for people who are already here.

In the lease, why do you not have a percentage on the gross for the lease?

Commissioner Helzel – Starbucks Corporate is open to either type of lease; based on gross at less than 6% or a per sf deal. The preference by the corporation does not come over automatically to the Cairde Group who is a franchisee. Their preference is to do it on the per sf basis.

Michel Rudigoz – Many leases in restaurant and beverage industry, you pay so much per month you maintain the building, pay the water, electricity, gas, snow removal and a percentage of the gross. If you rent something like that you pay \$3000 per month and a percentage of the gross. You should act like any landlord in the City.

Lisa Horowitz – At least two of the brokers told me that was very common 10-15 years ago in Ketchum but is not nearly as common in the leases they're negotiating.

Commissioner Gourlay – The Cairde Group wasn't against having a percentage but then their entire books became public because they are leasing from a public agency. Any of you in the same scenario would not want people to know how much you're making.

Has this lease been shopped outside the Wood River Valley?

Lisa Horowitz – The RFP was put on our website and run in the local paper.

You anticipated \$750,000 in rent by leasing the entire building. Does that mean that the possibility of the Visitors Center would be leased to someone else?

Commissioner Helzel – No, it contemplates that the Visitors Center or the Chamber would be able to pay rent.

Are we listening to the public?

Commissioner Gourlay – You are a very vocal minority. The people I talk to on the street, that come in my store, that I go to restaurants to talk to, that I ski with don't understand your argument. I defend both sides of it. We are listening to you but are also listening to the other side. It's a question of listening to and getting your way. I hear it from all sides and my friends ask why I'm not listening to them but there are four people behind me saying the exact opposite; that this will help the community and them. I know you disagree with that but yes, we are listening to the public.

Commissioner Wilson – When the grocery store issue was going on and the meetings that were held, the people who came to the meetings were mostly against a grocery store in the light industrial. When the newspaper ran the question, "Do you support a grocery store in the light industrial?" it was 3-1 in favor of a grocery store in the light industrial. Many people said they did not want the Atkinson's mad at them so they weren't going to the meeting to support the grocery store. We hear those who are not coming here because they don't want to upset their friends and business owners in the community.

Chairman Hall – I have this conversation everyday and can't get people to show up because of all of the passion and emotion in this heated debate. I went through the petitions and have gotten about 100 people at least talking to me about why they support this. There is a strong support for this.

Commissioner Eshman – There are 600 businesses representing a broad spectrum of our community. There are people that are lawyers, money managers, retail shops, yet the vocal minority is all in the food service business and we know why they show up. We serve an entire community and it's not to demean the importance of the restaurants' argument; they've made good points. But we do serve a broader community in the business community than just the food service providers.

Has there been any agreement struck, written or verbal, between any member of the City Council or the URA and any contributors to the Town Square, that there would be food service or food offered on the Town Square?

Stephanie Bonney – Verbal is not an agreement and wouldn't be binding on the City or the URA.

Lisa Horowitz – We have a draft ordinance from the vendor issue about a year ago that was never adopted.

Commissioner Kemp – In the Downtown Master Plan, it wasn't a requirement but was just a proposal.

Commissioner Helzel – The solicitation for the Town Square private donations was not made by the City of Ketchum or by the URA or any elected officials.

Dave Theobald – I was involved in raising the money on the Town Square. I never made any promises to food on the Square, although I supported it and envisioned it. We that were involved in the process got blindsided. We had no idea there would ever be a concern about putting vendor carts on the Square. We made a mistake.

We should have included a restaurant in the process of developing the Town Square. We did not use that as a wedge to get contributions to the Town Square.

Commissioner Helzel – I would like to sponsor a motion that the terms and conditions as we've described today, be the official and embraced offer of the Ketchum URA to the Cairde Group subject to the addendum of a revised floor plan, which will be acceptable to this body and that we present this to them with some reasonable time to respond as our offer. Until we have a dialog with them in writing, we don't have anything except a lot of conversation.

Ellie Ellis – It's a smokescreen when you talk about fiduciary duty because it can be the fiduciary duty to a bondholder or a fiduciary duty to the taxpayers. The fiduciary duty to the bondholders has nothing to do with leasing this property. The bondholders get repaid by the tax incremental benefit that's in that district as the values go up. This being rented has nothing to do with being good fiduciaries to your bondholders.

Commissioner Helzel – I said that the rental stream would only have an affect on the bondholders in the event of a disastrous scenario regarding local property values.

Ellie Ellis – Yes but when you throw around fiduciary duty, the public is not sure who you are talking to, the bondholders or your taxpayers. A fiduciary duty to a taxpayer would take into account everybody's comments about what's the best use of that space and what is the value in that space. You think its rent and I think its value to the community. This was all about getting the Cairde Group's okay. It was rigged. If you really wanted to get foot traffic and a restaurant in there that was going to bring people, you would have done an RFP through a restaurant broker that went out but that was never the point of buying that building. The RFP came out after the Cairde Group came to you. The reason you had no local representation coming forward and saying they wanted to put their restaurant there, is because it was all done in a hurry after the Cairde Group came to you. This lease should not be approved because they will be paying just square footage and no gross on beachfront property, its worth more. Why are you giving market rate for that place that's going to draw way more people? This lease is geared toward benefitting the tenant. You're doing them the favor in giving them this type of lease. You should not approve the right of first refusal to Starbucks Corporate. Starbucks should not benefit at all if Cairde Group decides to leave.

Ricco – You bring up the support you have from the other side. I doubt the other side really knows the facts about this case. People I talk to are amazed about the depth of differences in this lease. We know because we're involved. I was disappointed in the answer to my question. Do you want our Visitors Center branded by Starbucks?

Commissioner Gourlay – Yes, people who are from outside the area will go to Starbucks and find out about your restaurant and others they can go to eat at.

Phyllis Shafran – Before you make a motion and accept this lease you list what you're going to change in this lease. One thing was getting rid of the third term and only having 10 years, getting rid of the fact that Starbucks has a certain number of days for first right of refusal and add that they pay a percentage of their gross. They'll have to pay LOT taxes to the City so that figure is there and they would know what there gross is. The first place I go into when I travel is a Visitors Center. They have computers and ways to find out what's in town. Not to know how many square feet is in the bathrooms and mechanical rooms before you consider giving Starbucks half the building is ridiculous.

Pat Higgins – When the RFP was sent out the second time, it was unfair for local businesses like Nina or Baird, how could they get out of their lease and come up with a proposal that the URA would like. I am in a landlord partnership and when people go into our property, they pay for all of the upgrading that they want. It's not the leaser doing it. It's confusing the way information gets out to us. The people who support you probably don't know the size of the Visitors Center that's going to be inside the Starbucks.

Mark Caraluzzi – I've signed about 15 restaurant leases. That is prime property. We know the rent in town and at \$1.50 is as low as it gets. The only way you get that rent is that the owner of the building puts improvements in it and because they're investing money in the building, they get it back by having the base rent as opposed to the percentage of the gross. That's how you cover yourself and it's very normal when you put money in the building. The point made before about Starbucks not wanting to show their gross, it will come out in the sales tax anyway. There's usually a three broker method to come up with base rent. I don't know if you've done that or where \$1.50 came from. Rob Cronin's name is in this as working with Starbucks and if he told you it was \$1.50, that doesn't ring true with the people renting in this town.

Commissioner Helzel motioned that this Board embrace this letter of intent to lease, dated April 21, 2011 to the Cairde Group as the official offer of the Ketchum URA, subject to the receipt of a floor plan which is acceptable to this body and a precise description of the first right of refusal to assume this lease by Starbucks Coffee Company and that the 1900 sf in the lease would be subject to the acceptance of the floor plan, seconded by Commissioner Eshman.

Commissioner Wilson – I think there needs to be a percentage of gross in this. They are getting beachfront property and it should be part of the deal.

Commissioner Gourlay – I don't know how to deal with Trish's request. I don't think the Cairde Group will accept that.

Stephanie Bonney – If part of the problem in doing that was there was a concern that they would have to release proprietary information under the public records act, proprietary and trade information can be protected. You could put within the lease, if that is the only concern, we can protect that specific information as to what they give you to calculate what that gross is. I specifically asked for language in there; this binds you only to the extent that you negotiate further in good faith, it outlines those material terms that are likely to blow up in negotiations but you are not bound until you approve the lease, with the floor plan, how the hours work with the Chamber, etc. This will all have to be part of the ultimate agreement. It keeps you from doing a bad faith flip on a particular term.

Commissioner Kemp – I don't do leases so have to rely on the input from Lisa Horowitz, Larry, Mark and Baird. I have to defer to their expertise regarding the inclusion of some percent of gross. I don't know if that kills the deal or not but it sounds like it might be more palatable.

Lisa Horowitz – I discussed this percentage of gross at length with the Cairde team and our feeling was that the ability to keep proprietary information proprietary was going to be very challenging with a public agency. I backed away from it and thought it was putting them into a very vulnerable position that no other business in town is in. What you pay for LOT tax is not public information. The Clerks are bound not to divulge the amount any business pays for LOT tax.

Chairman Hall – Moving forward with these terms does not preclude us from having future conversations.

Commissioner Kemp – I don't know if the URA renting the property makes the lessee required to divulge all of their income.

Lisa Horowitz – The percentage of the gross is done from tax statements. That's why I backed off.

Stephanie Bonney – To the extent it pertains to proprietary information, no it would not become public. The deposit is public so you can work backwards. You wouldn't be able to keep what the percentage is private and that part could be calculated as well if you know the base.

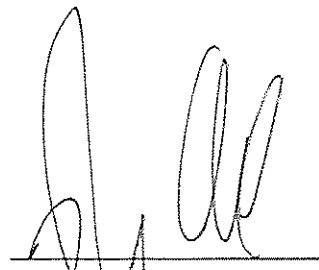
Commissioner Helzel – You're asking the Board to accept the proposal on this basis, on a per square foot lease with the increase every five years on the option date rather than tagging on a percentage. That is the motion and also that the lease area can and will be adjusted subject to approval of a floor plan.

The motion passed 5-2 (Commissioner Wilson and Commissioner Jonas opposed).

3. Approval of URA Minutes: April 12, 2011 and April 18, 2011.

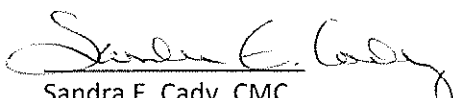
Chairman Hall motioned to adopt the minutes, seconded by Commissioner Kemp. The motion was approved unanimously with Commissioner Wilson abstaining from the approval of the April 18 minutes.

Chairman Hall motioned to adjourn the meeting at 2:30 pm, seconded by Commissioner Kemp. The motion was approved unanimously.



Randy Hall
Chairman

ATTEST:



Sandra E. Cady, CMC
Secretary/Treasurer